Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023.
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	**32-0186005**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Ansin Blvd., Suite A, Hallandale Beach, FL	**33009**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(305) 760-2053**

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

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
N/A	N/A	N/A

Table of Contents

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2023) was approximately $12.6 million (based on a closing sale price of $4.45 per share as reported on the OTC Market).

The number of shares of the registrant's common stock outstanding as of March 27, 2024 was 6,240,731.

PROGRESSIVE CARE INC. AND SUBSIDIARIES
2023 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

Unless the context requires otherwise, references in this Annual Report on Form 10-K (this "Form 10-K") to "the Company", "we", "us", "our", "our Company", or "our business" refer to Progressive Care Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements, including forward-looking information concerning pharmacy sales trends, prescription margins, number and location of new store openings, outcomes of litigation, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, acquisition synergies, regulatory approvals, and competitive strengths. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "sustain", "on track", "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K and in other reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Summary of Risk Factors

Investing in our securities involves risk. The following is a summary of the principal factors that could adversely affect our business, operations and financial results. You should carefully consider the following risks and uncertainties, together with all other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, and in our other filings with the Securities and Exchange Commission, before investing in our Company. This summary does not address all of the risks that we face and are more fully described in Part I, Item 1A. Risk Factors.

- We have a history of losses and may not be able to achieve or sustain profitability.
- We derive a significant portion of our sales from prescription drug sales reimbursed by pharmacy benefit management companies and there can be no assurance that we will continue to participate in any pharmacy benefit manager network at any future time.
- Events outside of our control relating to public health crises, supply-chain disruptions, geopolitical conflicts, and inflation, could negatively affect our Company and our results of operations and financial condition.
- Changes in reimbursement levels and health care financing practices could adversely affect our businesses.
- A decrease in the introduction of new prescription drugs and generic alternatives may harm our business and financial performance.
- Unexpected safety or efficacy concerns may arise from pharmaceutical products at our pharmacies.
- Changes in industry pricing benchmarks may harm our business, financial position, and results of operations.
- Changes in the health care regulatory environment may adversely affect our business.
- Reforms to the U.S. healthcare system may harm our financial performance.
- If we are found to be in violation of Medicaid and Medicare reimbursement regulations, we could become subject to retroactive adjustments and recoupment, or exclusion from the Medicaid, Medicare programs, and PBM networks.
- We are highly dependent on one supplier for our products, and a loss of that supplier may adversely impact our ability to sell products to our customers.
- We derive a significant portion of our revenues from a small number of customers and a loss of one or both of those customers would have a material adverse impact on our business.

- Our inability to find new pharmacy locations at reasonable prices may limit our business growth.
- Product liability issues, product recalls, or personal injury incidents could harm our reputation and materially affect our businesses, financial condition, operating results, and cash flows.
- If we are not able to market our services effectively to clinics, their affiliated healthcare providers and prescription drug providers, we may not be able to grow our patient base as rapidly as we have anticipated.
- We may fail to maintain effective internal control over financial reporting and effective disclosure controls and procedures, which may negatively impact financing reporting accuracy and investor confidence.
- Failure to maintain an effective system of disclosure controls and remediate the material weakness in our internal control over financial reporting could affect our ability to produce timely and accurate financial statements or comply with applicable laws and regulations.
- If we fail to manage our growth or implement changes to our reporting systems effectively, our business could be harmed.
- Our directors' and officers' involvement in other business activities may result in conflicts of interest.
- We may suffer a reduction in demand for our products and services which may be caused by several circumstances.
- If new drugs or combination therapies are developed and prescribed to our patients with a lower reimbursement rate than our current drug therapies, our revenues could be negatively impacted.
- We may face unfavorable credit terms or termination of our relationship with vendors, which could negatively impact our business operations.
- Sales of our solutions may be negatively impacted if they are not interoperable with our customers' or their vendors' networks and infrastructure, or if customers or vendors implement new system updates that are incompatible with our solutions.
- Our ability to generate revenue could suffer if we do not continue to update and improve existing solutions and develop new ones.
- Significant changes to our solutions or systems may result in performance problems and breaches. Additionally, cost-saving initiatives may not deliver expected benefits, take longer to develop or increase the risk of performance issues.
- IT system breaches and failures, as well as inadequate security measures, could lead to liability and reputational harm due to the sensitive information we transmit, use and store.
- Our handling of personal information and other data carries the risk of damaging our reputation and brand, as well as harming our business and operating results if there is an actual or perceived failure to protect such information and data.
- Our ability to generate growth partly depends on our ability to cross-sell solutions to existing customers and new customers.
- Our ability to deliver our solutions is dependent on the development and maintenance of the infrastructure of the internet and other telecommunications services by third parties.
- We expect to seek to raise additional funds in the future, which may be dilutive to stockholders or impose operational restrictions.

PART I

ITEM 1. BUSINESS

Introduction

Progressive Care Inc. ("Progressive") was incorporated under the laws of the state of Delaware on October 31, 2006 under the name Progressive Training, Inc. We changed our name to Progressive Care Inc. in connection with a merger with Progressive Care Inc. on November 23, 2010. Progressive, through its wholly-owned subsidiaries, Pharmco, LLC doing business as Pharmcorx ("Pharmco 901") and Pharmcorx LTC, Touchpoint RX, LLC doing business as PharmcoRx 1002, LLC ("Pharmco 1002"), Family Physicians RX, Inc. doing business as PharmcoRx 1103 and PharmcoRx 1204 ("FPRX" historically or "Pharmco 1103" and "Pharmco 1204") (pharmacy subsidiaries collectively referred to as "Pharmco"), and ClearMetrX Inc ("ClearMetrX") is a personalized healthcare services and technology company that provides prescription pharmaceuticals and risk and data management services to healthcare organizations and providers. Pharmco provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long-term care facilities, contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program, and health practice risk management. Pharmco also offers certain disease testing and vaccinations.

On June 30, 2023, NextPlat Corp ("NextPlat"), Charles M. Fernandez, our Chairman and Chief Executive Officer, and Rodney Barreto, our Vice-Chairman, entered into a voting agreement whereby at any annual or special shareholders meeting of our stockholders, Messrs. Fernandez and Barreto agreed to vote all of the common stock shares that they own in the same manner that NextPlat votes its Common Stock and equivalents. On July 1, 2023, NextPlat, Messrs. Fernandez and Barreto exercised common stock purchase warrants and were issued common stock shares by the Company. After the exercise of the common stock purchase warrants, NextPlat, and Messrs. Fernandez and Barreto collectively owned 53% of the Company's voting common stock. Collectively, the exercise of the common stock purchase warrants and the entry into the voting agreement constituted a change in control in Progressive Care whereby NextPlat was deemed the accounting acquirer.

We offer services in a variety of languages, including English, Spanish, French, Creole, Portuguese, Ukrainian and Russian.

Our services are designed to provide satisfaction across all medication stakeholders and enhance loyalty and key performance metrics. We offer value-added services at no additional charge including prior authorization assistance, same-day home-medication delivery, on site provider consultation services, primary care reporting and analytics, and customized packaging solutions. The pharmacies accept most major insurance plans and provide access to co-pay assistance programs to income qualified patients, discount and manufacturer coupons, and competitive cash payment options.

Products and Services

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 adherence, and capture important information regarding safety and effectiveness of the medications that we dispense.

Pharmco is rated by pharmacy benefit managers ("PBMs") based on its ability to adequately supply chronic care medications to patients during a measurement period. This score is then compared to the scores of other pharmacies in the network at which point a relative rating is issued. For the year ended December 31, 2023, per EQuIPP®, a performance information management tool that provides standardized, benchmarked data to help shape strategies and guide medication-related performance improvement, our performance score was Five Stars, ranking our pharmacy among the top pharmacies in the U.S. Primary care physicians may refer patients to pharmacies that have high performance scores, though patients retain the right to have their prescriptions dispensed by a network of pharmacies of their choice.

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

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

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

Medication therapy management ("MTM") involves review and adjustment of prescribed drug therapies to improve patient health outcomes for patients with multiple prescriptions. This process includes several activities such as performing patient assessments, creating medication treatment plans, monitoring the effectiveness of and adherence to prescribed therapies, and delivering documentation of these services to the patient's physician to coordinate comprehensive care.

Distribution Methods

We currently deliver prescriptions throughout Florida and ship medications to residents in those states where we hold non-resident pharmacy licenses. 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 can 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 subsidiaries are full-service retail specialty services pharmacies that offer same-day free delivery within Florida.

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. 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 since the beginning of our operations. We are well positioned in Florida to gain additional market share among a broad demographic of patients due to our high-performance scores and value-added services. Additionally, we value opportunities that create strategic partnerships, acquire synergistic operations and expand current operations to round out pharmacy capabilities which could potentially include, but are not limited to, specialty medications, sterile compounding, and mail-order.

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.

A key objective within organizations with access to large data collections is to harness the most relevant data and use it to optimize decision making. ClearMetrX developed the 340MetrX platform that retrieves dispensing pharmacy data to provide physicians and 340B covered entities with valuable and insightful reports and analytics to manage their operations.

We also serve the following key constituents, to benefit our patients:

Physicians and Health Systems: Our team works with physician offices to manage prior-authorization and other requirements of managed care organization requirements, such as denial and appeal process, to ensure that complicated administrative tasks do not impair the delivery of quality patient care. We provide risk evaluation services, implement risk mitigation strategies, and collect patient adherence data to provide physicians and health systems with enhanced visibility. Our tools and processes improve physician performance metrics which in turn results in enhanced profitability of the physicians' practices.

Payors: We manage prescription regimens for chronically ill populations and help payors, including health insurance plans and PBMs, reduce costs through patient care management, reduction in readmission rates, decreased acute care spending for chronic care conditions, formulary compliance, and implementation of lowest cost-effective alternative therapies.

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 the 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-premises, 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 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.

Growth Strategy

We plan to grow our business by continuing to execute on the following key growth strategies:

Data Management Services. We believe that data management for frontline and independent providers, 340B covered entities, and pharmacies will have increasing importance as health systems evolve to become virtual and digitized. Increasing focus on performance, margins, and quality, means that our models and platforms will have strategic value through our roots in day-to-day care management. Data management services will become an increasing driver of growth and development for us with its higher margins and diverse monetization pathways.

Invest in Sales and Marketing. We are based in South Florida and will continue to grow our dispensing operations throughout the state, and there are opportunities to expand geographically throughout the rest of the country. Our data management services and health IT services can be used by customers across the U.S. and we expect to continue to invest in sales and marketing efforts for these services.

Selectively Pursue Growth Through Strategic Acquisitions. We believe the specialty pharmacy industry is highly fragmented and provides numerous opportunities to expand through acquisitions. While we will continue to focus on growing our business organically, we believe we can opportunistically enhance our competitive position through complementary acquisitions in both existing and new markets. We plan to selectively evaluate potential acquisition opportunities in other therapeutic categories, services, and technologies with the goal of preserving our culture, optimizing patient outcomes, enhancing value to other constituents, and building long-term value for our shareholders.

Competitive Business Conditions, Competitive Positions and Methods of Competition

Competitive Strengths

We believe we are well positioned to continue to increase our market share based on the following competitive strengths:

Adding value to all constituents. The value we deliver to all constituents is based upon our thousands of daily patient interactions. We help patients adhere to complicated medication therapies, process refills, manage any side effects, and manage any insurance concerns ensuring that they get the best standard of care. The clinical efficacy of drug therapies, especially for acute and chronic conditions, is typically enhanced when patients precisely follow the prescribed treatment regimens, including dosing and frequency.

Performance. Pharmacies are measured against their peers to improve quality of patient care. We have dedicated staff to track performance metrics, ensuring high comparative adherence rates. Across the population, an average 50% of patients are adherent to prescribed medication protocols. We believe our high adherence rates are due to, among other things, our model of proactive patient engagement, direct communication with and connections to healthcare stakeholders, our patient training and education, patient behavior analysis and medication coaching, compliance packaging, tracking timing of refills, free home delivery, and language support. We also help identify third-party funding support programs to help cover expensive out-of-pocket costs.

Clinically trained operational professionals. Our licensed pharmacists and technicians have been trained on our patient care model and data management tools to conduct a full healthcare evaluation. These healthcare professionals not only dispense medications, but also analyze patients' needs, behaviors, lifestyles, healthcare services providers, and payor resources to optimize the medication therapies received. Our staff conducts this full healthcare evaluation while also communicating necessary care information to authorized providers and caregivers before medications are dispensed, which differentiates our pharmacy operations from our competitors' models.

Lean and nimble operational strategy. Healthcare is an industry where best practices are continuously evolving. With increasing emphasis on reducing healthcare costs which puts pressure on gross margins, we have identified new trends and opportunities pivoting to business processes better suited to future environments. Additionally, we have focused on diversifying our revenue streams within the pharmacy industry to identify complementary and associated revenue opportunities to keep the operation one step ahead of market forces.

Diversity and cultural awareness. We represent the fabric of the community from which we originate. Our employees consist of diverse faiths, races, ethnic origins, and sexual orientations. This provides us with the unique ability to speak the language that our patients and providers speak. It has also allowed us to be innovative in our approach to healthcare by leveraging the broad perspectives of our team to challenge our methodologies and be responsive to the unique needs of our patients, clients, and customers.

Competitive Positions and Methods of Competition

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

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

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

Some of our pharmacy service competitors are under common control with, or are owned by, pharmaceutical wholesalers and distributors or retail pharmacy chains and may be better positioned with respect to the cost-effective distribution of pharmaceuticals. Some of our primary competitors, such as Omnicare and Walgreens, have a substantially larger market share than our existing market share. Moreover, some of our competitors may have secured long-term supply or distribution arrangements for prescription pharmaceuticals necessary to treat certain chronic disease states on price terms substantially more favorable than the terms currently available to us. Because of such advantageous pricing, we may be less price competitive than some of these competitors with respect to certain pharmaceutical products.

Suppliers

We obtain pharmaceutical and other products from wholesale drug distributors. We have maintained a relationship with a primary supplier that accounted for 98% and 95% of pharmaceutical purchases for the years ended December 31, 2023 and 2022, respectively, and several supplementary suppliers. Our primary supplier for the years ended December 31, 2023 and 2022 was McKesson. The loss of a supplier could adversely affect our business if alternate sources of drug supply are unavailable. We believe that our relationships with our suppliers, overall, are good, and that there are alternative suppliers in the marketplace.

Dependence On One or a Few Major Customers

We sell to numerous customers including various managed care organizations within both the private and public sectors. Certain healthcare payors account for up to 85% and 56% of our consolidated net revenue for the years ended December 31, 2023 and 2022, respectively. Medicare Part D and the State of Florida Medicaid public assistance program are major sources of revenue. However, both government programs are privatized and are managed under several different healthcare payors, the concentration of which varies throughout the course of the year. Many of these healthcare payors have contracted agreements with our pharmacies for annual terms that have options to automatically renew annually. We depend on these healthcare payors and a loss of one or more would have a major impact on the business. The Company or the healthcare payor may terminate the network participation agreement at any time by way of advance notice to the other party.

Patents and Trademarks

We currently have no registered patents or trademarks that we either own or lease.

Governmental Approval

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

Effect of Existing or Probable Governmental Regulations

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

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

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

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

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

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

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

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

Several states also have enacted anti-kickback laws that sometimes apply not only to state-sponsored healthcare programs but also to items or services that are paid for by private insurance and self-pay patients. State anti-kickback laws can vary considerably in their applicability and scope and sometimes have fewer statutory and regulatory exceptions than federal law. Management understands the importance of anti-kickback laws and has helped structure our operations in a manner believed to be compliant with these laws.

The Stark Laws. The federal self-referral law, commonly known as the "Stark Law", prohibits physicians from referring Medicare or Medicaid patients for "designated health services" (which include, among other things, outpatient prescription drugs, durable medical equipment and supplies and home health services) to an entity with which the physician, or an immediate family member of the physician, has a direct or indirect financial relationship, unless the financial relationship is structured to meet an applicable exception. Several states have enacted laws similar to the Stark Law. These state laws may cover all, not just Medicare and Medicaid, patients and exceptions or safe harbors may vary from the Stark Law and vary significantly from state to state. Many federal healthcare reform proposals in the past few years have attempted to expand the Stark Law to cover all patients as well. Possible penalties for violation of the Stark Law include denial of payment, refund of amounts collected in violation of the statute, civil monetary penalties, and program exclusion. Noncompliance with the Stark Law could adversely affect our financial results and operations.

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

Some states also have enacted statutes like the False Claims Act which may include criminal penalties, substantial fines, and treble damages. In recent years, federal and state governments have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws. Under Section 1909 of the Social Security Act, if a state false claim act meets certain requirements as determined by the OIG in consultation with the U.S. Attorney General, the state is entitled to an increase of ten percentage points in the state medical assistance percentage with respect to any amounts recovered under a state action brought under such a law. Some of the larger states in terms of population that have had the OIG review such laws include California, Florida, Illinois, Indiana, Massachusetts, Michigan, Nevada, Tennessee and Texas. We operate in several of these states and submit claims for Medicaid reimbursement to the respective state Medicaid agency. This legislation has led to increased auditing activities by state healthcare regulators. As such, we have been the subject of an increased number of audits. While we believe that we are following Medicaid and Medicare billing rules and requirements, there can be no assurance that regulators would agree with the methodology employed by us in billing for our products and services and a material disagreement between us and these governmental agencies on the way we provide products or services could have a material adverse effect on our business and operations, our financial position, and our results of operations.

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

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

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

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

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

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

Any Willing Provider Statutes and Narrow Networks. Any Willing Provider ("AWP") statutes are laws that require health insurance carriers to permit providers to join those networks so long as the provider is willing to accept the terms and conditions of that carrier's plan. Numerous states have some form of AWP law, though nearly all prohibit insurance carriers from limiting membership within their provider networks based on geography or other characteristics. The laws in each state addressing the legality of narrow networks vary widely. Some laws address plans only while other laws address non-insurers, like a PBM. Some laws address all types of health benefits while other laws only address a single type of benefit, like pharmacy. The risk to a pharmacy would be in those states that do not have an applicable AWP statute, a provider can be excluded from a narrow network.

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

Health Reform Legislation. Congress passed major health reform legislation, including the Patient Protection and Affordable Care Act ("ACA"), as amended by the Healthcare and Education Reconciliation Act of 2010 (the "Health Reform Laws"), which enacted a number of significant healthcare reforms. There have been executive, judicial, and Congressional challenges to certain aspects of the Health Reform Laws. For instance, the Tax Cuts and Jobs Act of 2017 included a provision that repealed the tax-based shared responsibility payment imposed by the Health Reform Laws on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On June 17, 2021, the Supreme Court dismissed a challenge on procedural grounds that argued the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. Further, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (IRA) into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. The IRA also eliminates the "donut hole" under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost and creating a new manufacturer discount program. It is possible that the ACA will be subject to judicial or Congressional challenges in the future. It is unclear how any such challenges and the healthcare reform measures of the Biden administration will impact the ACA and our business.

Costs and Effects of Compliance with Environmental Laws

Not applicable.

Employees

As of December 31, 2023, we had 143 total employees, none of whom are subject to a collective bargaining agreement. Approximately 120 of these employees are employed full-time. We consider our relationship with our employees to be good.

ITEM 1A. RISK FACTORS

Risks Related to our Business

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

We may incur operating losses in the foreseeable future. For the years ended December 31, 2023 and 2022, we recognized overall revenue of approximately $49.7 million and $40.6 million, respectively. For the years ended December 31, 2023 and 2022, we had net losses of approximately $19.4 million and $5.9 million, respectively. Our ability to achieve profitability depends on our ability to have successful operations and generate and sustain sales, while maintaining reasonable expense levels.

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

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

Litigation and other legal proceedings may adversely affect our business.

From time-to-time we may become involved in legal proceedings relating to product liability claims, employee claims, tort or contract claims, federal regulatory investigations, securities class action and other legal proceedings or investigations, which could have an adverse impact on our reputation, business and financial condition and divert the attention of our management from the operation of our business. Litigation is inherently unpredictable and can result in excessive or unanticipated verdicts and/or injunctive relief that affect how we operate our business. We could incur judgments or enter into settlements of claims for monetary damages or for agreements to change the way we operate our business, or both. There may be an increase in the scope of these matters or there may be additional lawsuits, claims, proceedings or investigations in the future, which could have a material adverse effect on our business, financial condition and results of operations. Adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence and reduce long-term demand for our services, even if the regulatory or legal action is unfounded or not material to our operations.

Events outside of our control, including relating to public health crises, supply-chain disruptions, geopolitical conflicts, including acts of war, and inflation, could negatively affect our Company and our results of operations and financial condition.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events may adversely affect operating results for us. For example, the COVID-19 pandemic has led to, and for an unknown period of time, will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby, including the United States. With respect to U.S. and global credit markets and the economy in general, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following (among other things): (i) restrictions on travel and the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories, resulting in significant disruption to the business of many companies, including supply chains and demand, as well as layoffs of employees; (ii) increased draws by borrowers on lines of credit; (iii) increased requests by borrowers for amendments or waivers of their credit agreements to avoid default, increased defaults by borrowers and/or increased difficulty in obtaining refinancing; (iv) volatility in credit markets, including greater volatility in pricing and spreads; and (v) evolving proposals and actions by state and federal governments to address the problems being experienced by markets, businesses and the economy in general, which may not adequately address the problems being facing such persons. While many countries, including the United States, have relaxed or eliminated the early public health restrictions adopted in response to the COVID-19 pandemic, the outbreak of new, worsening strains of COVID-19 may result in a resurgence in the number of reported cases and hospitalizations. Such increases in cases could lead to the reintroduction of restrictions and business shutdowns in certain states, counties and cities in the United States and globally.

As the future impact of COVID-19 and its variants is difficult to predict, the extent to which they could negatively affect our operating results, or the duration of any potential business or supply-chain disruption, is uncertain. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge and the actions taken by authorities and other entities to contain the spread of COVID-19 and its variants or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our operating results and financial condition.

Disruptions to our supply chain have and could continue to impact our supply chain for products we sell, particularly as a result of mandatory shutdowns in locations where our products are manufactured or held for distribution. We could also see significant disruptions of the operations of our logistics, service providers, delays in shipments and negative impacts to pricing of certain of our products.

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

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

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

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

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

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

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

The profitability of retail pharmacy businesses is dependent upon the utilization of prescription drug products. Generally, our pharmacies receive greater profit from generic drugs. Utilization trends are affected by the introduction of new and successful prescription pharmaceuticals as well as lower priced generic alternatives to existing brand name products. Accordingly, a slowdown in the introduction of new and successful prescription pharmaceuticals and/or generic alternatives could adversely affect our business, financial position and results of operations.

Unexpected safety or efficacy concerns may arise from pharmaceutical products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a Medicaid and Medicare provider, we are subject to retroactive adjustments due to prior-year audits, reviews and investigations, government fraud and abuse initiatives, and other similar actions. Federal regulations provide for withholding payments to recoup amounts payable under the programs and, in certain circumstances, allow for exclusion from Medicaid and Medicare. We cannot offer any assurance that, pursuant to such audits, reviews, investigations, or other proceedings, we will be found to be complying in all respects with such reimbursement regulations. A determination that we are in violation of any such reimbursement regulation could result in retroactive adjustments and recoupment of payments and have a material adverse effect on our financial condition and results of operations. As a Medicaid and Medicare provider, we are also subject to routine, unscheduled audits, and if any such audit results in a negative finding, finding, we may be subject to exclusions from Medicaid, Medicare, and other PBM networks, which would adversely affect our results of operations and financial condition.

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

The repackaging, marketing, sale, and purchase of medications are extensively regulated by federal and state governments. In addition, many of the brand name and controlled medications that we sell receive greater attention from law enforcement officials than medications that are most often dispensed by traditional pharmacies due to the high cost of these medications and the potential for diversion and fraud, waste, and abuse. We sell common blood pressure, statin and other common drugs, and dispense either brand name or generic drugs according to the doctor’s prescription. If we fail to, or are accused of failing to, comply with applicable laws and regulations, we could be subject to penalties that may include exclusion from the Medicare or Medicaid programs, fines, requirements to change our practices, and civil or criminal penalties, which could harm our business, financial condition, and results of operations. Any disqualification from participating in Medicare or the state Medicaid programs would significantly reduce our net sales and our ability to maintain profitability. Our business could also be harmed if the entities with which we contract or have business relationships, such as pharmaceutical manufacturers, distributors, physicians, clinics, or home health agencies are accused of violating laws or regulations.

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

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

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

The U.S. capital markets are currently experiencing extreme volatility and disruption following the global outbreak of COVID-19 and other global events. Disruptions in the capital markets in the past have resulted in illiquidity in parts of the capital markets we serve. Our business is affected by the economy in general, including changes in consumer purchasing power, preferences and/or spending patterns. These changes could affect drug utilization trends as well as the financial health and number of covered lives of our clients, resulting in an adverse effect on our business, financial condition, results of operations and cash flows.

Unfavorable economic conditions may cause a decline in drug utilization and dampen demand for pharmaceutical drugs and durable medical equipment as well as consumer demand for sundry products sold in our retail store and our business and financial results could be adversely affected. Further, interest rate fluctuations and changes in capital market conditions may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale or lease transactions under acceptable terms.

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

Our products and services must satisfy the needs and desires of our customers, whose preferences may change in the future. If we misjudge either the demand for products and services we provide or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. In addition, our sales may decline, or we may be required to dispose of the inventory we have obtained at lower prices. This would have a negative effect on our business and results of operations.

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

We obtain pharmaceutical and other products from wholesale distributors. We maintained a relationship with a primary supplier, McKesson, that accounted for 98% and 95% of pharmaceutical purchases for the years ended December 31, 2023 and 2022, respectively, and several supplementary suppliers. If that supplier was to cease supplying us with products for any reason, we would be forced to find alternative sources for our products. Despite this, we believe we would be able to readily find multiple alternative sources for our products. We may not be able to quickly or effectively replace that supplier, which may lead to delays in product availability and losses of sales, which would have a negative effect on our business, results of operations and financial condition.

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

We sell to numerous customers including various managed care organizations within both the private and public sectors. Certain healthcare payors, including Medicare Part D and the State of Florida, account for more than ten percent or more of our consolidated net revenue in fiscal 2023 and fiscal 2022. Medicare Part D and the State of Florida Medicaid public assistance program are major customers of ours. However, both government programs function under several different healthcare payors, the concentration of which varies throughout the course of the year. To the extent we lost the business of one or more of these healthcare payors, our revenues would significantly decrease, having a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

Product liability, product recall or personal injury issues could damage our reputation and have a significant adverse effect on our businesses, operating results, cash flows and/or financial condition.

Should a product liability issue, recall or personal injury issue arise, inadequate product or other liability insurance coverage or our inability to maintain such insurance may result in a material adverse effect on our business and financial condition. Products that we sell could become subject to contamination, product tampering, mislabeling, recall or other damage. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide.

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

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

We may fail to maintain effective internal control over financial reporting and effective disclosure controls and procedures, and as a result, we may not be able to accurately report our financial results in a timely manner or prevent fraud, which may adversely affect investor confidence in our company.

As an emerging growth company and a smaller reporting company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an emerging growth company or a smaller reporting company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event material weaknesses have been identified in our internal control over financial reporting.

To comply with the requirements of being a public company, we have undertaken and will need to undertake additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadlines imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal controls over financial reporting or we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports. As a result, the market price of our common stock could be materially adversely affected.

Failure to maintain an effective system of disclosure controls and remediate the material weakness in our internal control over financial reporting could affect our ability to produce timely and accurate financial statements or comply with applicable laws and regulations.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act. The Company is an emerging growth company and may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies. As an emerging growth company, the Company is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent registered public accounting firm review and attest as to the effectiveness of our internal control over financial reporting. Management is required to make an annual assessment of internal controls over financial reporting pursuant to Section 404(a), including the disclosure of any material weaknesses identified by management in internal control over financial reporting.

As described in Part II, Item 9A — "Controls and Procedures", Management has identified a material weakness in the Company's internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company has developed a remediation plan to address the identified material weakness. If the Company's remediation efforts are insufficient or if additional material weaknesses in internal control over financial reporting are discovered or occur in the future, the Company's consolidated financial statements may contain material misstatements and it could be required to revise or restate its financial results, which could materially and adversely affect the Company's business, results of operations and financial condition, restrict its ability to meet SEC reporting requirements, to access the capital markets, require it to expend significant resources to correct the material weaknesses, subject it to fines, penalties, or judgments, harm its reputation, or otherwise cause a decline in investor confidence.

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

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

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

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

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of technology, research and development and sales and marketing functions;

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

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

Conflicts of interest may arise between us and our directors and officers as a result of other business activities undertaken by such individuals.

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

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

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

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

We incur increased costs as a result of being a reporting company, and given our limited capital resources, such additional costs may have an adverse impact on our profitability.

We are an SEC reporting company. The rules and regulations under the Exchange Act require a public company to provide periodic reports with interactive data files which will cause the Company to incur legal, accounting and auditing services, and XBRL and EDGAR service providers. The engagement of such services can be costly. In addition, the Sarbanes-Oxley Act of 2002, as well as a variety of related rules implemented by the SEC, have required changes in corporate governance practices and generally increased the disclosure requirements of public companies. For example, as a result of being a reporting company, we are required to file periodic and current reports and other information with the SEC and we must adopt policies regarding disclosure controls and procedures and regularly evaluate those controls and process. The expenses incurred for filing periodic reports and implementing disclosure controls and procedures may be as high as $100,000 annually. Furthermore, there is no guarantee that we will have sufficient resources to meet our reporting and filing obligations with the SEC as they come due.

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

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

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

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

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

Our Chief Financial Officer (“CFO”), 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, former Chief Executive Officer (“CEO”), tendered his resignation which the Board approved. On the same date, the Board appointed Charles M. Fernandez as our new 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 beneficially owns 60.9% of our Company. 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.

Risks Related to the Pharmacy Industry

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

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

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

Many specialty patients are currently receiving prescription benefits from federally funded programs such as the Ryan White CARE Act. These payors only use non-profit providers to dispense medications to their enrollees.

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

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

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

- A cure or vaccine for chronic care conditions;
- The emergence of new diseases resistant to available medications;
- Shifts to treatment regimens other than those we offer;
- New methods of delivery of existing medications or of injectable or infusible medications that do not require our specialty pharmacy and disease management services;
- Recalls of the medications we sell;
- Adverse reactions caused by the medications we sell; and
- The expiration of or challenge to the drug patents on the medications we sell.

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

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

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

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

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

Risks Relating to Our Data Management Services

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business and results of operations may also be adversely affected if a vendor servicing our IT systems does not perform satisfactorily, or if the IT systems are interrupted or damaged by unforeseen events, including the actions of third-parties. Further, our business relies to a significant degree upon the secure transmission, use and storage of sensitive information, including protected health information and other personally identifiable information, financial information and other confidential information and data within these systems. To protect this information, we seek to implement commercially reasonable security measures and maintain information security policies and procedures informed by requirements under applicable law and recommended practices, in each case, as applicable to the data collected, hosted and processed. Despite our security management efforts with respect to physical and technological infrastructure, employee training, vendor controls and contractual relationships, our infrastructure, data or other operation centers and systems used in connection with our business operations, including the internet and related systems of our vendors are vulnerable to, and from time to time experience, unauthorized access to data and/or breaches of confidential information due to criminal conduct, physical break-ins, hackers, employee or insider malfeasance and/or improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, ransomware events, phishing schemes, fraud, terrorist attacks, human error or other breaches by insiders or third-parties or similar disruptive problems. It is not possible to prevent all security threats to our systems and data. Techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time.

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Common Stock

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

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

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

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

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

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

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

We are an emerging growth and smaller reporting company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth and smaller reporting companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or JOBS Act, enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this Annual Report and our periodic reports and proxy statements, and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement, although circumstances could cause us to lose that status earlier. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (a) following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement, or December 31, 2026 (b) in which we have total annual gross revenue of at least $1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed $700 million as of the end of the prior fiscal year's second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to irrevocably opt out of this exemption and, therefore, we will comply with new or revised accounting standards as required when they are adopted.

Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to continue to take advantage of many of the same exemptions from disclosure requirements, including, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in this Annual Report and our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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

Our Articles of Incorporation and Bylaws contain broad indemnification and liability limiting provisions regarding our officers and directors, including the limitation of liability for certain violations of fiduciary duties. If we were called upon to indemnify an officer or director, then the portion of our available funds expended for that purpose would reduce the amount otherwise available for our business. The indemnification obligations and the resultant costs associated with indemnification may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our shareholders against our directors and officers even though such actions, if successful, might otherwise benefit us and our shareholders. We would bear the expenses of such litigation for any of its directors or officers upon such person's promise to repay us if it is ultimately determined that any such person shall not have been entitled to indemnification. This could result in significant expenditures which we may be unable to recoup.

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

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

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

Currently, our directors, executive officers, and certain beneficial shareholders own a majority of the voting control of the Company. Thus, they will be able to exert substantial influence over the election of our Board of Directors and the vote on issues submitted to our shareholders. As of the date of this filing, our officers, directors and certain beneficial shareholders beneficially owned 4,941,730 shares (approximately 64%) of our common stock and 3,000 shares of our Series B Preferred Stock (100%), which excludes shares of common stock held in street name by non-affiliated individuals.

As a result of the Voting Agreement entered into among NextPlat Corp., Charles M. Fernandez and Rodney Barreto with respect to a majority voting interest in the Company's common stock, our ability to influence corporate matters is expected to be limited.

Pursuant to the Voting Agreement dated June 30, 2023, Charles M. Fernandez, the Company's Chairman and Chief Executive Officer, and Rodney Barreto, Vice-Chairman of the Company's Board, agreed to vote all shares of common stock of the Company owned directly or indirectly and all future acquired shares, together with the vote of NextPlat Corp. at any annual meeting or special meeting of the Company's shareholders, or any action by written consent. As of the date of this report, NextPlat Corp., Messrs. Fernandez and Barreto beneficially own 42%, 6%, and 5% voting shares of common stock of the Company, respectively, comprising collectively approximately 53% of the Company's voting common stock. This concentration of ownership is also likely to have the effect of delaying or preventing a change of control of the Company, which other stockholders may view as beneficial.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk oversight and management is a key role for the Board and its committees. The Board is responsible for identifying and understanding the Company's principal risks and ensuring that appropriate systems are implemented to monitor, manage and mitigate those risks. The committees of the Board have oversight over risks within their respective mandates.

Oversight of cybersecurity is integrated into the responsibilities of the Board. The Nominating and Governance Committee (the "NGC") has been assigned oversight of cybersecurity matters, particularly as they relate to financial risk and controls, integrity of financial data and public disclosures, and security of overall digital data.

Management is responsible for the implementation of risk management strategies and for the operational oversight of company-wide cybersecurity strategy, policy, and standards to assess and prepare us to address cybersecurity risks. We have evolving processes for assessing, identifying and managing cybersecurity risks, which are built into our information technology function and are designed to help protect our information assets and operations from cyber threats, protect employee and corporate information from unauthorized access or attack, as well as secure our networks and systems. Such processes include physical, procedural and technical safeguards, response plans, and routine review of our policies and procedures to identify risks and refine our practices. We engage independent third parties to assess and implement our cybersecurity procedures and enhance our oversight.

The NGC receives periodic updates from management regarding cybersecurity matters and is notified between such updates regarding any significant new cybersecurity threats or incidents. We are not aware of any cybersecurity incidents that could have a material impact on our business strategy, results of operations, or financial condition.

ITEM 2. PROPERTIES

Pharmco 901

During 2020, we purchased an approximately 11,000 sq. ft. facility at 400 Ansin Blvd, Bay A, Hallandale, Florida. The monthly mortgage payment is approximately $12,000.

Pharmco 1002

We rent pharmacy space at 3208 2nd Avenue North, Bays 2, 3 and 4, Palm Springs, FL 33461. The original lease expired in March 2021 and automatically renewed for an additional 48 months through February 2025. The lease agreement calls for monthly payments of approximately $4,300, with an escalating payment schedule each year thereafter.

Pharmco 1103

We rent pharmacy space at 1160 South Semoran Blvd, Suites D, E, F, Orlando, Florida. The lease was entered into and commenced on August 1, 2020 with a 66-month term and expires on February 1, 2026. The lease agreement calls for monthly payments beginning February 1, 2021 of $4,310, with an escalating payment schedule each year thereafter.

Pharmco 1204

Our Pharmco 1204 Davie location moved to North Miami Beach, Florida during August 2021. We rent approximately 2,200 square foot of retail and pharmacy space. The lease is for five years and commenced on September 1, 2021. The lease agreement calls for monthly payments of approximately $5,200, with an escalating payment schedule each year thereafter.

Progressive Care

Progressive Care's administrative offices have been located at the 400 Ansin Blvd. building since its acquisition.

We believe that our existing office facilities are adequate for current and presently foreseeable operations. In general, our properties are well maintained and are being utilized for their intended purposes. Additional space may be required as we expand our business activities. We do not foresee any significant difficulties in obtaining additional facilities if deemed necessary.

ITEM 3. LEGAL PROCEEDINGS

From time to time we may be subject to claims and litigation arising in the ordinary course of business. One or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which such claim or litigation is resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention, and may materially adversely affect our reputation, even if resolved in our favor.

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. 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 13 installment payments. The complaint was dismissed with prejudice on July 8, 2022. The last installment payment was paid during the third quarter of 2023 and no balance remained outstanding as of December 31, 2023. The balance outstanding was approximately $280,000 as of December 31, 2022 (recorded in Accounts payable and accrued liabilities).

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is qualified for quotation on the OTC Markets Group ("OTCQB") under the symbol "RXMD" and has been quoted on the OTCQB since March 16, 2010. The following table sets forth the range of the high and low bid prices per share of our common stock for each quarter as reported in the OTCQB. These quotations represent interdealer prices, without retail markup, markdown, or commission, and may not represent actual transactions. There currently is a liquid trading market for our common stock. There can be no assurance that a significant active trading market in our common stock will develop, or if such a market develops, that it will be sustained.

Authorized Capital

We have 100,000,000 authorized shares of common stock.

The holders of shares of our common stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, dividends payable in cash, stock or otherwise. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the net assets of the Company shall be distributed pro rata to the holders of the common stock in accordance with their respective rights and interest. See "Description of Securities".

For all undesignated preferred stock, the Board is authorized to determine the number of series into which such undesignated shares may be divided, the number of shares within each series, and the designations, rights and preferences associated with such shares. We have authorized 10,000,000 shares of Series A Preferred Stock and issued 0 shares of Series A Preferred Stock as all previously outstanding shares of Series A Preferred Stock were cancelled and returned to treasury on September 2, 2022. We have authorized 100,000 shares of Series B Preferred Stock and issued 3,000 shares of Series B Preferred Stock.

Each share of Series B Preferred Stock will vote as a class with the common stock of the Company, and will have 500 votes per share, and each share of Series B Preferred Stock will be convertible into 500 shares of the Company's common stock.

Holders

According to the records of our transfer agent, as of March 27, 2024, there were approximately 222 record holders of our common stock. The number of record holders does not include beneficial owners of common stock whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

Shares Outstanding

As of March 27, 2024, there were 6,240,731 shares of our common stock outstanding.

Dividend Policy

We have never paid any cash dividends on our common stock. We currently anticipate that we will retain all future earnings for use in our business. Consequently, we do not anticipate paying any cash dividends in the foreseeable future. The payment of dividends in the future will depend upon our results of operations, as well as our short-term and long-term cash availability, working capital, working capital needs, and other factors as determined by our Board of Directors. Currently, except as may be provided by applicable laws, there are no contractual or other restrictions on our ability to pay dividends if we were to decide to declare and pay them.

Equity Compensation Plan Information

See Part III, Item 12 to this Annual Report on Form 10-K for information relating to securities authorized for issuance under our equity compensation plans.

Unregistered Sales of Equity Securities

The Company believes that each of the following transactions were exempt from the registration requirements of the Securities Act by virtue of Section 4(a)(2) thereof and/or Rule 506 of Regulation D promulgated thereunder.

During 2023, the Company issued 2,353 shares of common stock valued at $10,000, or $4.25 per share, to an employee as stock-based compensation.

On January 1, 2023, the Company issued 8,197 shares of common stock valued at $50,002, or $6.10 per share, to Joseph Ziegler pursuant to a Directors Agreement dated December 9, 2021.

On July 1, 2023, NextPlat Corp exercised common stock purchase warrants, pursuant to a Securities Purchase Agreement and Debt Conversion Agreement, on a cash basis and the Company issued 230,000 shares of common stock.

On July 1, 2023, NextPlat Corp exercised common stock purchase warrants, pursuant to a Securities Purchase Agreement and Debt Conversion Agreement, on a cashless basis and the Company issued 402,269 shares of common stock.

On July 1, 2023, Charles M. Fernandez exercised common stock purchase warrants, pursuant to a Securities Purchase Agreement and Debt Conversion Agreement, on a cashless basis and the Company issued 211,470 shares of common stock.

On July 1, 2023, Rodney Barreto exercised common stock purchase warrants, pursuant to a Securities Purchase Agreement and Debt Conversion Agreement, on a cashless basis and the Company issued 130,571 shares of common stock.

Except as disclosed above, there were no other sales of unregistered equity securities during the year ended December 31, 2023.

Penny Stock

Our common stock is considered "penny stock" under the Securities Exchange Act of 1934. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market System, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or quotation system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that:

- contains a description of the nature and level of risks in the market for penny stocks in both public offerings and secondary trading;
- contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities laws; contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- contains such other information and is in such form, including language, type, size and format, as the Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with:

- bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the marker for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgement of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock.

ITEM 6. RESERVED

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Note on Financial Presentation

In connection with the change in control on July 1, 2023, the application of push-down accounting created a new basis of accounting for all assets and liabilities based on their fair value at the date of acquisition. As a result, our financial position, results of operations, and cash flows subsequent to the acquisition on July 1, 2023 have been segregated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through June 30, 2023 is referred to as the "Predecessor". The post-acquisition period, July 1, 2023 and forward, includes the impact of push-down accounting and is referred to as the "Successor". See Item 8 of Part II, "Financial Statements and Supplementary Data – Note 4. Business Combination Without Transfer of Consideration."

The information contained below should be read in conjunction with our historical consolidated financial statements and the related notes.

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. We are a personalized healthcare services and technology company which provides prescription pharmaceutical and risk and data management services to healthcare organizations and providers.

We currently own and operate five pharmacies, which generate most of our pharmacy revenues, which is derived from dispensing medications to our patients. We also provide patient health risk reviews and free same-day delivery.

We provide TPA, data management, COVID-19 related diagnostics and vaccinations, prescription pharmaceuticals, compounded medications, telepharmacy 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 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.

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 expanding our 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 expanded revenue growth through the signing of new contract pharmacy service and data management contracts with 340B covered entities.

ClearMetrX includes data management and TPA services for 340B covered entities, pharmacy analytics, and programs to manage HEDIS Quality Measures including Medication Adherence. These offerings cater to the need for frontline providers to understand best practices, patient behaviors, care management processes, and the financial mechanisms behind these decisions. We provide data access, and actionable insights that providers and support organizations can use to improve their practice and patient care. The Company's TPA services include management of wholesale accounts, patient eligibility with regard to the 340B drug program, development and review of 340B policies and procedures, and management of receivables.

Our 340MetrX platform 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 340MetrX software enhances services currently provided to 340B covered entities by complementing in-house 340B experts with a reporting platform aiming to maximize the limited resources in the 340B space through identification and validation of claims. 340MetrX allows our data analytics processes to be more efficient, giving our team the ability to seamlessly manage data for a much greater number of 340B covered entities in Florida, with potential to be scaled nationwide.

Recent Developments

Contract Renewal

We received notice that one of our third-party payors had declined to renew its agreement with one of the Company's pharmacy locations (the "Contract"). The Contract had previously been set to renew as of February 24, 2023. On January 19, 2023, the Company reached an agreement with the third-party payor to extend the Contract term until April 24, 2023 to facilitate continued negotiations with respect to extending the term of the Contract. On February 28, 2023, the Company and such third-party payor entered into an agreement pursuant to which the Contract will continue on its terms, subject to the Company maintaining compliance with certain required procedures. During 2023, we have remained compliant with the required procedures.

Resignation and Engagement of Independent Registered Public Accounting Firm

On March 7, 2023, the Company was advised by Daszkal Bolton, LLP ("Daszkal"), the Company's former independent registered public accounting firm, that Daszkal completed a business combination agreement with CohnReznick LLP ("CohnReznick"). As a result of this transaction, Daszkal resigned as the Company's independent registered public accounting firm following the filing of our 2022 Annual Report on Form 10-K.

On April 21, 2023, following approval of the Audit Committee of the Board of Directors of the Company, the Company engaged CohnReznick as the Company's independent registered public accounting firm for the year ended December 31, 2023, and interim periods, effective immediately.

Chief Operating Officer Resignation and Appointment

On April 29, 2023, Mrs. Birute Norkute resigned from her position as Chief Operating Officer ("COO") of the Company, effective May 1, 2023. Mrs. Norkute will remain engaged with the Company as Operations Manager ("OM"). There has been no modifications of Mrs. Norkute's compensation or benefits in connection with the change of Mrs. Norkute's position from COO to OM. On September 21, 2023, Mrs. Norkute resigned from the OM position. Severance in the amount of approximately $75,000 will be paid over six months from the effective date of the resignation.

Effective May 1, 2023, Dr. Pamela Roberts was appointed as COO of the Company. Prior to her appointment as COO, Dr. Roberts served as the Company's Director of Pharmacy and Pharmacist in Charge. In connection with such appointment, Dr. Roberts has entered into an employment agreement ("Employment Agreement"), which increased her base salary to $180,000 in addition to certain other benefits.

NextPlat Transaction

On May 5, 2023, the Company entered into a Securities Purchase Agreement (the "SPA") with NextPlat, pursuant to which NextPlat agreed to purchase 455,000 newly issued units of securities from the Company (the "Units") at a price per Unit of $2.20 for an aggregate purchase price of $1.0 million (the "Unit Purchase"). Each Unit consists of one share of common stock, par value $0.0001 per share, of the Company ("Common Stock") and one warrant to purchase a share of Common Stock (the "PIPE Warrants"). The PIPE Warrants have a three-year term, and will be immediately exercisable. Each PIPE Warrant is exercisable at $2.20 per share of Common Stock. On May 9, 2023, the Company and NextPlat closed the transactions contemplated in the SPA. The Company intends to use the net proceeds from the Unit Purchase for its working capital needs. The Company received cash proceeds of $880,000, net of placement agent commission of $70,000 and legal fees of $50,000.

Simultaneous with the closing, the Company entered into a Debt Conversion Agreement (the "DCA") with NextPlat and the other holders (the "Holders") of that certain Amended and Restated Secured Convertible Promissory Note, dated as of September 2, 2022, made by the Company in the original face amount of approximately $2.8 million (the "Note"). Pursuant to the DCA, NextPlat and the Holders agreed to convert the total approximately $2.9 million of outstanding principal and accrued and unpaid interest to Common Stock at a conversion price of $2.20 per share (the "Debt Conversion"). Of the total 1,312,379 shares of Common Stock issued upon conversion of the Note pursuant to the DCA, NextPlat received 570,599 shares; Charles M. Fernandez, the Company's Chairman and Chief Executive Officer, received 228,240 shares; and Rodney Barreto, the Company's Vice-Chairman of the Board of Directors, received 228,240 shares. In addition, each of the Holders also received a warrant to purchase one share of Common Stock for each share of Common Stock they received upon conversion of the Note (the "Conversion Warrants"). The Conversion Warrants have a three-year term, and will be immediately exercisable. Each Conversion Warrant is exercisable at $2.20 per share of Common Stock.

At the same time, the Company and NextPlat entered into a First Amendment (the "Amendment") to that certain Securities Purchase Agreement dated November 16, 2022 (the "Debenture Purchase Agreement"). Under the Debenture Purchase Agreement, the Company agreed to issue, and NextPlat agreed to purchase, from time to time during the three-year term of the Debenture Purchase Agreement, up to an aggregate of $10 million of secured convertible debentures from the Company (the "Debentures"). Pursuant to the Amendment, NextPlat and the Company agreed to amend the Debenture Purchase Agreement and the form of Debenture attached as an exhibit thereto to have a conversion price of $2.20 per share. At present, no Debentures have been purchased by NextPlat under the Debenture Purchase Agreement.

Dawson James Securities, Inc. (the "Placement Agent") served as placement agent for the Unit Purchase. In consideration for the Placement Agent's services, the Company issued to the Placement Agent and its affiliates warrants to purchase 91,000 shares of Common Stock (the "Placement Agent Warrants"). The Placement Agent Warrants have a five-year term, and are exercisable as of December 2023. Each Placement Agent Warrant is exercisable at $2.20 per share of Common Stock.

In addition, the Company issued 330,000 warrants, with a fair value on the date of issuance of approximately $0.7 million, to certain existing investors of the Company to induce them to approve the transaction contemplated by the SPA (the "Inducement Warrants"). Charles M. Fernandez and Rodney Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. The Inducement Warrants have a three-year term and will be immediately exercisable. Each Inducement Warrant is exercisable at $2.20 per share of Common Stock.

Amendment to Employment Agreement of Chief Financial Officer

On June 29, 2023, the Company entered into Amendment #2 to the Amended and Restated Employment Agreement between the Company and Cecile Munnik, the Company's Chief Financial Officer, pursuant to which the date on which Ms. Munnik will become a full-time employee of NextPlat Corp. was extended for an additional year, until July 1, 2024. Ms. Munnik may continue to provide up to approximately 30% of her time on a weekly basis to provide services to NextPlat and receive compensation from NextPlat until June 30, 2024, but will otherwise devote her full time, attention, and energies to the business of the Company during customary business hours.

Change in Control

On June 30, 2023, NextPlat, Charles M. Fernandez, Chairman and Chief Executive Officer of the Company, and Rodney Barreto, Vice-Chairman of the Company, entered into a voting agreement whereby at any annual or special shareholders meeting of the Company's stockholders Messrs. Fernandez and Barreto agreed to vote all of the common stock shares that they own in the same manner that NextPlat votes its Common Stock and equivalents. On July 1, 2023, NextPlat, Messrs. Fernandez and Barreto exercised common stock purchase warrants and were issued common stock shares by the Company. After the exercise of the common stock purchase warrants, NextPlat, and Messrs. Fernandez and Barreto collectively owned 53% of the Company's voting common stock. Collectively, the exercise of the common stock purchase warrants and the entry into the voting agreement constituted a change in control in Progressive Care whereby NextPlat was deemed the accounting acquirer. As a result of the change in control, NextPlat was deemed the accounting acquirer in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* and elected to apply push-down accounting. The application of push-down accounting created a new basis of accounting for all assets and liabilities based on their fair value at the date of acquisition, with few exceptions permissible under GAAP. As a result, the Company's financial position, results of operations, and cash flows subsequent to the acquisition on July 1, 2023 have been segregated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through June 30, 2023 is referred to as the "Predecessor Company". The post-acquisition period, July 1, 2023 and forward, includes the impact of push-down accounting and is referred to as the "Successor Company".

Director Appointments

Effective July 17, 2023, upon their respective entry into a Director Agreement (the "Agreement") with the Company, the Company appointed Elizabeth Alcaine and Anthony Armas as directors of the Company's Board of Directors pursuant to the approval of the Nominating and Corporate Governance Committee of the Board of Directors of the Company. Pursuant to the Agreement and upon its execution, Ms. Alcaine and Mr. Armas were each issued $50,000 in shares of the Company's common stock. Annually, after execution of the Agreement and subject to continued service on the Board of Directors, Ms. Alcaine and Mr. Armas will each be issued the number of shares of the Company's common stock equivalent to $50,000 as determined based on the average closing price on the three trading days immediately preceding the last day of such anniversary date.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to residual values, estimated asset lives, impairments and bad debts. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies, grouped by our activities, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. For additional information, see Item 8 of Part II, "Financial Statements and Supplementary Data – Note 3 – Summary of Significant Accounting Policies."

Revenue Recognition. We recognize product sales from prescriptions dispensed to patients (customers) at the time the drugs are physically delivered to a customer or when a customer picks up their prescription, which is the point in time when control transfers to the customer. 340B dispensing fees are a component of 340B contract revenue, which are recognized at the time the drugs are received by the patient, by either delivery or customer pick up. 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 is obtained to ensure payment 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 customer's insurance provider.

We accrue an estimate of PBM fees, including direct and indirect remuneration ("DIR") fees, which are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of prescription 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.

Billings for most prescription orders are with third-party payers, including Medicare, Medicaid, and insurance carriers. Customer returns are nominal. Prescription revenues exceeded 80% of total revenue for all periods presented.

We recognize revenue from TPA services as we satisfy the performance obligations under the TPA contract with a 340B covered entity. TPA services provided to covered entities include consulting services, accounting and reconciliation of contract pharmacy billings, and various compliance services. The covered entity simultaneously receives and consumes benefits as we perform services under the TPA contract. These services are capable of being distinct from one another, e.g., the covered entity may receive benefit from each separate service, but in the context of a TPA contract, these qualify as a series of distinct services. We provide a significant service of integrating the services into a combined output that benefits the covered entity, that benefit being ensuring compliance by the covered entity with 340B regulations. Therefore, we consider the combined services to be a single performance obligation in each TPA contract.

As stated in the TPA agreements, we receive a fixed percentage which is applied to the gross pharmacy service billings over the contract period. The gross pharmacy service billings are estimated based on the number of prescriptions filled by the Pharmacy Service contractor multiplied by the reimbursement rates set by the insurance providers. We invoice the covered entities for TPA services on a semi-monthly basis and collections are within 24-45 days of invoicing.

ASC 606 provides a practical expedient wherein an entity may recognize revenue in the amount to which it has a right to invoice a customer if the entity has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. This expedient could be available, for example, for a service contract in which an entity bills a fixed amount for each hour of service provided. We believe that this practical expedient applies to our TPA contracts and we have elected this method in measuring revenue over the TPA contract term.

We recognize COVID-19 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.

Accounts Receivable. 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 receivable 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 five pharmacy locations. Inventory consists solely of finished products (primarily prescription drugs) and is valued at the lower of first-in, first-out (FIFO) cost or net realizable value. 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.

Goodwill. We perform the required annual impairment tests of goodwill at the end of each fiscal year on our two reporting units. To determine the fair value of these reporting units, we use a discounted cash flow model with market-based support as our valuation technique to measure the fair value for our reporting units. The discounted cash flow model uses five-to-ten-year forecasted cash flows plus a terminal value based on a multiple of earnings or by capitalizing the last period's cash flows using a perpetual growth rate. Our significant assumptions in the discounted cash flow models include, but are not limited to: the weighted average cost of capital ("WACC"), revenue growth rates, including perpetual revenue growth rates, and operating margin percentages of the reporting unit's business. We consider the current market conditions when determining assumptions. The total forecasted cash flows are discounted based on ranges included in assumptions regarding our WACC. Lastly, we reconcile the aggregate fair values of our reporting units to our market capitalization, which include a reasonable control premium based on market conditions. The use of estimates and the development of assumptions results in uncertainties around forecasted cash flows.

A change in any of these estimates and assumptions used in the annual test, a degradation in the overall markets served by these reporting units, among other factors, could have a negative material impact to the fair value of the reporting units and could result in a future impairment charge. There can be no assurance that our future goodwill impairment testing will not result in a charge to earnings. This impairment charge could have a negative material impact on our results of operations.

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.

Recent Accounting Pronouncements

The most recent adopted and to be adopted accounting pronouncements are described in Note 3 in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Results of Operations

Our results of operations as reported in our consolidated financial statements for the periods six months ended December 31, 2023 ("Successor"), six months ended June 30, 2023 ("Predecessor"), and the year ended December 31, 2022 ("Predecessor") are in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Although GAAP requires that we report on our results for the Successor and Predecessor periods separately, management views our operating results for the combined year ended December 31, 2023 by combining the results of the Predecessor and Successor periods because management believes such presentation provides the most meaningful comparison of our results to prior periods. We believe the key performance indicators such as operating revenues and expenses for the Successor period combined with the Predecessor period provide more meaningful comparisons to other periods and are useful in understanding operational trends.

Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

The following table summarizes our results of operations (in thousands):

	Successor	Predecessor		Predecessor		
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	*Year Ended December 31, 2023*	Year Ended December 31, 2022	$ Change	% Change
Total revenues, net	$ 26,779	$ 22,948	$ *49,727*	$ 40,602	$ 9,125	22%
Total cost of revenue	18,323	16,242	*34,565*	30,899	3,666	12%
Total gross profit	8,456	6,706	*15,162*	9,703	5,459	56%
Operating expenses	23,114	6,067	*29,181*	12,282	16,899	138%
(Loss) income from operations	(14,658)	639	*(14,019)*	(2,579)	(11,440)	444%
Other income (expense)	10	(5,406)	*(5,396)*	(3,324)	(2,072)	62%
Loss before income taxes	(14,648)	(4,767)	*(19,415)*	(5,903)	(13,512)	229%
Provision for income taxes	—	—	—	(1)	1	(100)%
Net loss	(14,648)	(4,767)	*(19,415)*	(5,904)	(13,511)	229%
Series A Preferred Stock dividend associated with induced conversion	—	—	—	(541)	541	(100)%
Net loss attributable to common shareholders	$ (14,648)	$ (4,767)	$ *(19,415)*	$ (6,445)	$ (12,970)	201%

We recognized overall revenue from operations of approximately $49.7 million and $40.6 million during the years ended December 31, 2023 and 2022, respectively, an overall increase of approximately $9.1 million, or 22.5%. The increase in revenue was primarily attributable to an increase in prescription revenue, net of PBM fees of approximately $5.8 million, and an increase in 340B contract revenue of approximately $5.2 million, which was offset by a decrease in COVID-19 testing revenue of approximately $1.9 million, when compared to the prior year.

Gross profit margins increased from 24% for the year ended December 31, 2022, to 30% for the year ended December 31, 2023. The increase in gross profit margins during 2023, compared to the prior year, was primarily attributable to the increase in 340B contract revenue, which has higher margins than revenue generated from pharmacy operations.

Loss from operations increased by approximately $11.4 million for the year ended December 31, 2023, when compared to the year ended December 31, 2022, as a result of the increase in gross profit of approximately $5.5 million, partially offset by the increase in operating expenses of approximately $16.9 million. The increase in operating expenses was primarily due to the recognition of approximately $13.9 million of goodwill impairment - see below for further discussion.

Revenue

Our revenues were as follows (in thousands):

	Successor	Predecessor			Predecessor			
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	*Year Ended December 31, 2023*		Year Ended December 31, 2022			
	Dollars	Dollars	*Dollars*	*% of Revenue*	Dollars	% of Revenue	$ Change	% Change
Sales of products, net								
Prescription revenue, net of PBM fees	$ 21,481	$ 19,219	$ *40,700*	*82%*	$ 34,894	86%	$ 5,806	17%
COVID-19 testing revenue	7	54	*61*	*—%*	1,915	5%	(1,854)	(97)%
Other revenue	8	5	*13*	*—%*	3	—%	10	333%
Subtotal	21,496	19,278	*40,774*	*82%*	36,812	91%	3,962	11%
Revenues from services:								
340B contract revenue	5,283	3,670	*8,953*	*18%*	3,790	9%	5,163	136%
Revenues, net	$ 26,779	$ 22,948	$ *49,727*	*100%*	$ 40,602	100%	$ 9,125	22%

We have filled approximately 489,000 and 463,000 prescriptions during the years ended December 31, 2023 and 2022, respectively, a 6% year-over-year increase in the number of prescriptions filled.

Dispensing fee and TPA revenue earned on our 340B contracts for the years ended December 31, 2023 and 2022 were approximately $9.0 million and $3.8 million, respectively, an increase of approximately $5.2 million. The increase in 340B contract revenue was attributable to an increase in our existing 340B contracts of approximately $4.4 million and an increase in new 340B contract revenue of approximately $0.8 million.

COVID-19 testing revenue decreased by approximately $1.9 million for the year ended December 31, 2023, when compared to the prior year, due to the Company recording record COVID-19 testing revenue in the first quarter of 2022 as the country was dealing with the Delta and Omicron outbreak during that period. Since the first quarter of 2022, the demand for COVID-19 testing has decreased 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 the 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 increased by approximately $16.9 million, or 137.6%, for the year ended December 31, 2023, as compared to 2022. The increase was primarily attributable to increases of approximately $13.9 million for goodwill impairment, $1.4 million in salaries and wages, $1.3 million in the amortization of newly identifiable intangible assets as a result of the push-down accounting and $0.3 million related to a settlement of a pharmacy claims audit in the ordinary course of business.

Goodwill increased by approximately $13.2 million as a result of the change in control on July 1, 2023, net of the change in valuation allowance attributable to the business combination. At December 31, 2023, we performed our annual goodwill impairment test by reporting unit to evaluate the carrying amount of goodwill as compared to its fair value. Based on the impairment test, it was determined the carrying amount of goodwill as of December 31, 2023 exceeded its fair value resulting in the Company recording an impairment charge of approximately $13.9 million for the year ended December 31, 2023, recorded to the Pharmacy Operations reporting segment. The remaining carry amount of goodwill as of December 31, 2023 was approximately $0.7 million and was allocated to the TPA reporting segment. Refer to Note 12. Goodwill and Intangible Assets for additional details on the impairment charges, valuation methodologies, and inputs used in the fair value measurements.

Other Income (Expense)

Other income (expense) increased by approximately $2.1 million for the year ended December 31, 2023, as compared to 2022. Other expense of approximately $5.4 million in 2023 was primarily attributable to the debt conversion expense of approximately $5.2 million. Other expense of approximately $3.3 million in 2022 was attributable to the NextPlat transaction-related expenses and losses, including the changes in fair value of derivative liabilities, day one losses on issuance of units and debt modification, and abandoned offering costs, offset by gains on debt settlement and grant revenue.

Net Loss

We had a net loss of approximately $19.4 million and $5.9 million for the years ended December 31, 2023 and 2022, respectively. The increase in net loss was primarily attributable to the goodwill impairment recognized in 2023, partially offset by the NextPlat transaction-related expenses and losses recognized in the prior year.

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 (in thousands):

	Successor	Predecessor		Predecessor
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	*Year Ended December 31, 2023*	Year Ended December 31, 2022
Net loss	$ (14,648)	$ (4,767)	$ *(19,415)*	$ (5,904)
Interest expense	54	215	*269*	798
Change in fair value of derivative liability	—	—	—	3,323
Provision for income taxes	—	—	—	1
Depreciation and amortization expense	1,463	137	*1,600*	209
Debt conversion expense	—	5,206	*5,206*	—
Goodwill impairment	13,895	—	*13,895*	—
Consolidated adjusted EBITDA	$ 764	$ 791	$ *1,555*	$ (1,573)

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows (in thousands):

	Successor	Predecessor		Predecessor
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	*Year Ended December 31, 2023*	Year Ended December 31, 2022
Net change in cash from:				
Operating activities	$ 724	$ 150	$ *874*	$ 669
Investing activities	(538)	(231)	*(769)*	(184)
Financing activities	357	690	*1,047*	4,846
Change in cash	543	609	*1,152*	5,331
Cash at end of period	$ 7,895	$ 7,352	$ *7,895*	$ 6,743

Net cash provided by operating activities totaled approximately $0.9 million and $0.7 million for the years ended December 31, 2023 and 2022, respectively. Operational cash flows increased due to the reduced payment terms in our 340B contracts, an increase in accounts receivable related to 340B contracts, an increase in inventory, and the recognition of debt conversion expense, partially offset by the change in fair value of derivative liability recorded in the prior year period.

Net cash used in investing activities was approximately $0.8 million and $0.2 million for the years ended December 31, 2023 and 2022, respectively. The cash outflow in 2023 was attributable to investment in our fleet and purchase of pharmacy equipment. The cash outflow in 2022 was attributable to the payments made for developing internal use software, offset by proceeds from disposal of property and equipment.

Net cash provided by financing activities was approximately $1.0 million and $4.8 million for the years ended December 31, 2023 and 2022, respectively. The cash inflow in 2023 was attributable to the $1.0 million net cash proceeds from the May 2023 PIPE transaction and $0.5 million cash proceeds from warrants exercised, partially offset by payments made on notes payable. In September 2022, approximately $5.4 million net proceeds were received from issuing preferred stock in a capital raise from NextPlat, 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.

Liquidity and Capital Resources

We have an accumulated deficit of approximately $34.4 million and $15.0 million as of December 31, 2023 and 2022, respectively. We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy.

For the year ended December 31, 2023, we had a net loss of approximately $19.4 million and net cash provided by operating activities of approximately $0.9 million. The Company's cash position was approximately $7.9 million as of December 31, 2023.

On May 5, 2023, the Company and NextPlat entered into a First Amendment (the "Amendment") to that certain Securities Purchase Agreement dated November 16, 2022 (the "Debenture Purchase Agreement"). Under the Debenture Purchase Agreement, we agreed to issue, and NextPlat agreed to purchase, from time to time during the three-year term of the Debenture Purchase Agreement, up to an aggregate of $10 million of secured convertible debentures from NextPlat (the "Debentures"). Pursuant to the Amendment, NextPlat and the Company agreed to amend the Debenture Purchase Agreement and the form of Debenture attached as an exhibit thereto to have a conversion price of $2.20 per share. As of the date these consolidated financial statements were issued, no Debentures have been purchased by NextPlat under the Debenture Purchase Agreement.

Management believes that the above transactions, along with our present cash position and the cash we expect to generate from operating activities, will allow us to operate and meet our obligations for at least 12 months from the issuance date of these consolidated financial statements.

Related Party Transactions

Successor Company

During the six months ended December 31, 2023, the Successor Company paid $0.1 million to NextPlat as management fees in accordance with the amended Management Services Agreement (the "Management Agreement") dated May 1, 2023.

On July 1, 2023, NextPlat, Charles M. Fernandez, and Rodney Barreto exercised common stock purchase warrants and were issued common stock by the Company. NextPlat exercised common stock purchase warrants on a cashless basis and was issued 402,269 common stock shares. NextPlat also exercised common stock purchase warrants on a cash basis and paid consideration in the amount of $506,000 and was issued 230,000 common stock shares. Mr. Fernandez exercised common stock purchase warrants on a cashless basis and was issued 211,470 common stock shares. Mr. Barreto exercised common stock purchase warrants on a cashless basis and was issued 130,571 common stock shares.

Predecessor Company

On August 30, 2022, NextPlat, Charles M. Fernandez, Rodney Barreto, and certain other purchasers purchased from Iliad Research a Secured Convertible Promissory Note, dated March 6, 2019, made by the Predecessor Company to Iliad (the "Note"). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately $2.8 million. In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with the Predecessor Company. In consideration of the concessions in the Debt Modification Agreement, the Predecessor Company issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, and Messrs. Fernandez and Barreto, received 45,653, 18,261, and 18,261 shares, respectively.

On February 1, 2023, the Predecessor Company entered into the Management Agreement with NextPlat Corp to provide certain management and administrative services to the Predecessor Company for $25,000 per month fee. On May 1, 2023, the Management Agreement was amended to update the fee to $20,000 per month. During the six months ended June 30, 2023, the Predecessor Company paid $0.1 million to NextPlat as management fees.

On May 5, 2023, the Predecessor Company entered into an SPA with NextPlat, pursuant to which NextPlat agreed to purchase 455,000 newly issued Units of securities from the Predecessor Company at a price per Unit of $2.20 for an aggregate purchase price of $1.0 million (the "Unit Purchase"). Each Unit consists of one share of common stock, par value $0.0001 per share, and one common stock purchase warrant to purchase a share of common stock (the "PIPE Warrants").

On May 9, 2023, pursuant to the DCA, NextPlat received 570,599 shares, Charles M. Fernandez received 228,240 shares, and Rodney Barreto received 228,240 shares. To induce the approval of the debt conversion pursuant to the DCA, Messrs. Fernandez and Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. In addition, NextPlat and Messrs. Fernandez and Barreto also received a common stock purchase warrant to purchase one share of Common Stock for each share of Common Stock they received upon conversion of the Note.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Consistent with the rules applicable to "Smaller Reporting Companies" we have omitted information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is submitted as a separate section of this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On March 7, 2023, the Company was advised by Daszkal Bolton, LLP ("Daszkal"), the Company's former independent registered public accounting firm, that Daszkal completed a business combination agreement with CohnReznick LLP ("CohnReznick"). As a result of this transaction, Daszkal resigned as the Company's independent registered public accounting firm following the filing of our 2022 Annual Report on Form 10-K.

On April 21, 2023, following approval of the Audit Committee of the Board of Directors of the Company, the Company engaged CohnReznick as the Company's independent registered public accounting firm for the year ending December 31, 2023, and interim periods, effective immediately.

Daszkal's reports on the Company's financial statements for 2021 and 2022 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2023, and 2022, there were (i) no disagreements (as described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and either of Daszkal or CohnReznick on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Daszkal's or CohnReznick's satisfaction, would have caused Daszkal or CohnReznick to make reference thereto in its reports on the financial statements for such years; and (ii) no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* Based on management's evaluation (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), were not effective due to the material weakness described below to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Inherent Limitations on Controls.* Management, including the CEO and CFO, does not expect that our disclosure controls and procedures will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to errors or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

(c) *Management's Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Material Weaknesses in Internal Control Over Financial Reporting

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ((“COSO)”) in Internal Control-Integrated Framework (2013). Based on this evaluation, management concluded that the Company’s internal control over financial reporting was not effective at the reasonable assurance level as of December 31, 2023 because of the material weakness described below.

A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In connection with our preparation of the consolidated financial statements, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting as of December 31, 2023, related to the improper accounting for the change in deferred tax valuation allowances resulting from the July 1, 2023 business combination without transfer of consideration. This material weakness also arises from our lack of personnel with an appropriate level of knowledge and experience in accounting for complex or non-routine transactions.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

CohnReznick LLP, our independent registered public accounting firm, is not required to issue, and thus has not issued, an attestation report on the Company’s internal control over financial reporting as of December 31, 2023.

Remediation

Management is committed to improving its internal control over financial reporting and remediating the material weakness described above as quickly as possible. Management has outlined a remediation plan to ensure that the control deficiencies contributing to the material weakness are remediated. Management’s remediation plan includes the following: a.) providing education and training to senior accounting staff as it relates to complex and non-routine transactions; and b.) consulting with accounting and tax experts to provide appropriate guidance with the accounting for complex and non-routine transactions.

We believe that the foregoing measures will remediate the identified material weakness, although Management is continuing to assess the need for any additional steps to remediate the underlying causes that gave rise to the material weakness. The material weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time. There is no assurance that additional remediation steps will not be necessary. We anticipate the remediation of the material weakness will be fully implemented and validated by the end of the third quarter of 2024. Notwithstanding the conclusion by our management that our controls and procedures as of December 31, 2023 were not effective, as described above with respect to the change in deferred tax valuation allowances resulting from the July 1, 2023 business combination without transfer of consideration, Management believes that the consolidated financial statements and related financial information included in this Annual Report on Form 10-K fairly present in all material respects our financial position, results of operations and cash flows as of and for the periods then ended, in conformity with U.S. GAAP.

(d) *Changes in internal control over financial reporting.* Other than the material weakness mentioned above, there has been no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting pursuant to rules of the SEC that exempts the Company from such attestation and requires only management’s report.

ITEM 9B. OTHER INFORMATION

During the fiscal quarter ended December 31, 2023, none of our officers or directors, as defined in Rule 16a-1(f), adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

The following table sets forth the names of our directors and executive officer employees and their ages, positions, and biographical information as of December 31, 2023. Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. Our directors will hold office until our next annual meeting of shareholders, or until their earlier resignation or removal.

Name & Address	Age	Date First Elected or Appointed	Position(s)
Charles M. Fernandez	62	September 13, 2022	Chairman of the Board of Directors and Chief Executive Officer
Cecile Munnik	46	October 15, 2020	Chief Financial Officer
Pamela Roberts, PharmD	49	May 1, 2023	Chief Operating Officer
Rodney Barreto	66	September 13, 2022	Vice-Chairman of the Board of Directors
Jervis Bennet Hough	47	August 1, 2017	Director
Pedro Rodriguez, M.D.	75	October 7, 2022	Director
Joseph Ziegler	51	December 9, 2021	Director
Anthony Armas	32	July 17, 2023	Director
Elizabeth Alcaine	54	July 17, 2023	Director

Background of Directors and Executive Officers

The following is a brief account of the education and business experience during at least the past five years of our directors and executive officers, indicating each person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Charles M. Fernandez, Chairman of the Board and Chief Executive Officer. Mr. Fernandez has served as the Chairman of the Board since September 2022 and has served as our Chief Executive Officer since November 2022. Mr. Fernandez has over 30 years' experience in identifying profitable start-up and dislocation opportunities, building significant value, and executing exit strategies as an entrepreneur and global investor. In 2008, Charles M. Fernandez joined Fairholme Capital Management. As President, he co-managed all three Fairholme funds, and was commended for bringing in a $2.0 billion gain for shareholders. Throughout his impressive career in Media, Pharmaceuticals, Healthcare, Finance and Technology, he has participated in more than 100 significant mergers, acquisitions, and product development projects. Mr. Fernandez was the founder, Chairman, and CEO of eApeiron Solutions, LLC, a brand protection and e-commerce company in partnership with Alibaba and Eastman Kodak which was successfully sold to Smartrac, leading developer, manufacturer, and supplier of RFID and Internet of Things ("IoT") solutions, a unit of Avery Dennison Corporation.

Cecile Munnik, Chief Financial Officer. Ms. Munnik has served as our Chief Financial Officer since October 2020. She has over fifteen years of accounting and finance experience. She has served in finance and accounting leadership positions for companies and business units with annual revenues ranging from $100M to $3B, and demonstrated expertise in US GAAP, SEC Reporting (10-K, 10-Q), Sarbanes-Oxley, Public Accounting, Mergers & Acquisitions, Internal Controls/Process Efficiencies, ERPs, and Strategy Planning for private and public entities. Prior to joining Progressive Care, she has held several senior management positions. Ms. Munnik served as Director of Asset Management at Unified Women's Healthcare, a single-specialty management services organization to support Ob-Gyn practices from November 2018 through April 2020. She joined The Service Companies as Director of Finance in May 2017 through October 2018. Prior to The Service Companies, she worked at Lennox International for eleven years. She joined Lennox in June 2006 as Sr. Internal Auditor and left in May 2017 as Manager of Financial Planning and Analysis. Ms. Munnik has a bachelor's degree in accounting from the University of Pretoria (South Africa) and is a Certified Public Accountant (CPA) and Chartered Accountant (CA). She serves on the board of Damascus Road Partners, which is a group of social enterprise investors who invest charitable capital to sustainably address human suffering.

Pamela Roberts, PharmD, Chief Operating Officer. Dr. Roberts was appointed as Chief Operating Officer in May 2023. Dr. Roberts is a medical professional and has 20 years of experience as a licensed pharmacist. Dr. Roberts has been the Director of Pharmacy for PharmcoRX Pharmacies for the last 6 years and is also Pharmacist In Charge for PharmcoRX location 901 for the last 11 years. She is the recipient of the 2020 PHMA Frontline Worker of the Year Award. Dr. Roberts is a licensed Pharmacist in the State of Florida and Texas. She received her Doctor of Pharmacy Degree from Hampton University in Hampton, Virginia.

Rodney Barreto, Director. Mr. Barreto was appointed as the Vice-Chairman of the Board in September 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 the Company 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. Mr. Barreto was appointed to serve as a director of the Company based on his significant leadership and entrepreneurial experience.

Jervis Bennet Hough, Director. Mr. Hough has served as a Director since August 2017. Mr. Hough has worked in the capital markets and financial services industry in various compliance and management capacities. His regulatory background provides valuable perspective when assisting firms in the development and implementation of managerial plans and developing business. Mr. Hough currently serves at the nation's oldest African-American Investment Banking Firm Blaylock Van, LLC as Chief Operations Officer and Chief Compliance Officer. Prior to Blaylock, Mr. Hough served as Chief Compliance Officer for IFS Securities, Inc from 2014 to 2018. Prior to 2014, Mr. Hough has also served in several executive positions at various companies including: President at Fund America Securities; CEO and COO at J&C Global Securities; and CEO and President at Capital & Credit International Inc. Having begun his career with the Financial Industry Regulatory Authority (FINRA), Mr. Hough has gone on to amass experience is various sectors of the industry including corporate investment and public finance. Mr. Hough holds a B.S. Degree in Economics and an M.S. Degree in Agricultural and Applied Economics from Clemson University. He has earned the Certified Securities Compliance Professional Certification from the National Society of Compliance Professionals. Mr. Hough holds the Series 7, 24, 53, 63, 79, and 99 licenses from FINRA (Financial Industrial Regulatory Authority). Mr. Hough is a Founding Board Member of the Georgia Crowdfunding Association and Past Board Member of the U.S.A. Jamaica Chamber of Commerce.

Pedro Rodriguez, M.D., Director. Dr. Rodriguez was appointed as a Director in October 2022. Dr. Rodriguez 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.

Joseph Ziegler, Director. Mr. Ziegler was appointed as a Director in December 2021. Mr. Ziegler is currently the CEO of JZ Advisory Group, a consulting firm that is focused on driving value to customers by providing fractional CFO and outsourced accounting services to private equity and entrepreneur owned businesses. Prior to that, Mr. Ziegler was the Chief Financial Officer of DAS Health, a private equity backed IT services company largely focused on healthcare customers. Mr. Ziegler previously served as CFO for Encompass Onsite, where he led a team through a period of rapid growth driven by acquisitions and new customer onboarding, while improving the financial infrastructure of the business. Prior to Encompass, he held multiple roles as a CFO in the healthcare industry, including Private Equity backed specialty pharmacy BioMatrix, successfully driving top line growth from $60 mill to $500 mill during his tenure with the company, leading an exit to private equity investors. And prior to BioMatrix, Mr. Ziegler served as a CFO of Novis Pharmaceuticals, driving company's growth from $60 million to $200 million during his tenure and led the company's sales process to strategic acquirer Cardinal Health. He graduated from Florida Atlantic University with an MBA following a BS in finance. Mr. Ziegler was appointed to the Board because of his deep knowledge in healthcare, finance and accounting with strong regulatory oversight.

Anthony Armas, Director. Mr. Armas was appointed as a Director in July 2023. Mr. Armas combines over 10 years of experience in the healthcare industry following seven years of healthcare administration and management. Mr. Armas is currently the Chief Executive Officer of One Innovation Labs, a dietary ingredient manufacturer and delivery technology company, and served as Executive Vice President from 2019 to 2021. Mr. Armas also currently serves as a member of the board of The Leadership Learning Center at St. John Bosco Church. He has an undergraduate degree and an MBA from Florida International University. Mr. Armas was appointed to the Board because of his vast experience in the healthcare industry.

Elizabeth Alcaine, Director. Ms. Alcaine was appointed as a Director in July 2023. Ms. Alcaine combines over 25 years of experience in the healthcare sector. She currently serves as president of the Coral Coast HOA Board. In 2017, Ms. Alcaine became a co-founder of AskVetMD, a platform that makes veterinarians easily accessible, and remained until 2022. During 2023, she became a consultant for AskVetMD. From 2009 through 2018, Ms. Alcaine was an Advisory Committee member for the Miami Childrens Hospital Foundation. She has an undergraduate degree from Miami Dade College. Ms. Alcaine was appointed to the Board because of her extensive experience in the healthcare sector.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Delinquent Section 16(a) Reports

Based solely upon a review of reports on Forms 3, 4 and 5 and any amendments thereto furnished to the Company pursuant to Section 16 of the Exchange Act, and written representations from the Section 16 officers and directors that no other reports were required, the Company reports that we believe all Forms 3, 4 and 5 showing ownership of and changes of ownership in our capital stock or similar reportable transactions which took place during the 2023 fiscal year were timely filed with the SEC.

Corporate Governance Principles and Code of Ethics

The Board has adopted a Code of Business Conduct and Ethics that is applicable to the Company and to all our directors and officers and persons performing similar functions, including our principal executive officer and principal financial officer. A copy of the Company's Code of Ethics may be obtained on our website at www.progressivecareus.com. We intend to disclose future amendments to such code, or any waivers of its requirements, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on our website identified above. The inclusion of our website address in this Annual Report on Form 10-K does not include or incorporate by reference the information on our website into this Annual Report on Form 10-K. Additionally, the Company has a Compensation Recovery Policy pursuant to which under specified circumstances (i) executive officers of the Company are required to repay or return erroneously awarded compensation to the Company in accordance with the Company's clawback rules and (ii) the Board of Directors of the Company may, in its good faith discretion, require officers of the Company to repay all or a portion of their incentive compensation to the Company.

Board Committees

Pursuant to our bylaws, our Board may establish one or more committees of the Board however designated, and delegate to any such committee the full power of the Board, to the fullest extent permitted by law.

Our Board has established three separately designated standing committees to assist the Board in discharging its responsibilities: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. The charters for our Board committees set forth the scope of the responsibilities of that committee. The Board will assess the effectiveness and contribution of each committee on an annual basis.

Name	Independent	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Charles M. Fernandez (1)				
Rodney Barreto (2)	X			
Jervis Bennet Hough	X	C	M	M
Pedro Rodriguez, M.D.	X	M	M	M
Joseph Ziegler	X	M	M	M
Anthony Armas	X			
Elizabeth Alcaine	X			

C – Chairman of Committee
M – Member
(1) Chairman of Board of Directors
(2) Vice-Chairman of Board of Directors

Audit Committee

The current members of the Audit Committee are Messrs. Hough, Rodriguez, and Ziegler, each of whom qualifies as an "independent" director in accordance with the listing requirements of Nasdaq and the SEC. The Board has determined that Mr. Hough is an "audit committee financial expert," as defined in Item 407 of Regulation S-K and is the Chairman of the Audit Committee. The Audit Committee is primarily responsible for, but not limited to, selecting, compensating, overseeing, and terminating the selection of the Company's independent registered public accounting firm.

Compensation Committee

The current members of the Compensation Committee are Messrs. Hough, Rodriguez, and Ziegler, each of whom qualifies as an "independent" director in accordance with the listing requirements of Nasdaq. The Compensation Committee is primarily responsible for, but not limited to, reviewing and approving compensation of the Company's executive officers and board of directors.

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Messrs. Hough, Rodriguez, and Ziegler, each of whom qualifies as an "independent" director in accordance with the listing requirements of Nasdaq. The Nominating Committee is responsible for identifying individuals qualified to become members of the Board or any committee thereof; recommending nominees for election as directors at each annual stockholder meeting; recommending candidates to fill any vacancies on the Board or any committee thereof; and overseeing the evaluation of the Board.

Legal Proceedings

In July 2016, Jervis Hough entered into a letter of acceptance, waiver and consent (No. 2015046056404) with the Financial Industry Regulatory Authority ("FINRA") with respect to alleged violations of NASDQ Rule 3010 and FINRA Rule 2010 relating to insufficient due diligence conducted in a private placement. Mr. Hough was fined $5,000 and given a 15-business day suspension from associating with any FINRA registered firm in a principal capacity.

Except as set forth above, during the past ten years, none of our officers, directors, or control persons have been involved in any legal proceedings as described in Item 401(f) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation earned by or paid to our executive officers for services provided for the fiscal years ended December 31, 2023 and 2022

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Options Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Charles M. Fernandez (4)	2023	87,692 (5)	10,000	1,017,362(6)	525,858 (7)	—	—	14,500 (8)	1,655,411
Chairman of the Board of Directors and Chief Executive Officer	2022	—	—	123,043(9)	321,683(10)	—	—	7,000 (8)	451,726
Cecile Munnik	2023	180,000	15,200	—	—	—	—	12,822(11)	208,022
Chief Financial Officer	2022	180,000	45,100	—	160,357(12)	—	—	6,000(13)	391,457
Pamela Roberts, PharmD (14)	2023	171,346	10,300	—	—	—	—	9,000(15)	190,646
Chief Operating Officer	2022	146,151(14)	6,275	—	—	—	—	9,000(15)	161,426

(1) Includes amounts paid and/or accrued.
(2) Stock awards are fully vested at grant and the amounts shown represent the aggregate grant date fair value calculated in accordance with FASB ASC 718.
(3) Amounts shown represent the fair market value of awards and do not necessarily correspond to the actual values that may be realized.
(4) Mr. Fernandez joined the Company as CEO on November 11, 2022.
(5) Mr. Fernandez began taking an annual salary of $120,000 in April 2023.
(6) Includes 228,240 shares issued pursuant to the Debt Modification Agreement and 211,470 share issued pursuant to warrants exercised on July 1, 2023.
(7) Includes 94,322 unexercised stock options issued pursuant to a Stock Option Agreement that accelerated vesting due to a change in control on July 1, 2023.
(8) Fees paid to Mr. Fernandez as Chairman of the Board of Directors.
(9) Includes 18,261 shares issued pursuant to the Debt Modification Agreement.
(10) Includes 62,881 unexercised vested stock options issued pursuant to a Stock Option Agreement.
(11) Includes $5,675 for health benefits and $7,147 for travel allowance.
(12) Includes 25,000 unexercised stock options issued pursuant to an Amended Employment Agreement.
(13) Includes $5,400 for health benefits and $600 for travel allowance.
(14) Dr. Roberts was appointed Chief Operating Officer on May 1, 2023. Prior to appointment, Dr. Roberts was an employee of the Company.
(15) Health benefits

Compensation Components

Salary. We compensate our executive officers for their service by payment of salary, which is set in each of the named executive officer's employment agreement discussed below.

Discretionary Bonuses. Our board of directors has the authority and discretion to award performance-based compensation to our executives if it determined that a particular executive has exceeded his or her objectives and goals or made a unique contribution to us during the year, or other circumstances warrant.

Stock Awards. Stock awards are determined by the board of directors based on numerous factors, some of which include responsibilities incumbent with the role of each executive and tenure with us.

Employment Agreements

Employment Agreement by and between Cecile Munnik and the Company

We entered into an executive employment agreement with Ms. Munnik on October 15, 2020 which was amended and restated on November 22, 2021 pursuant to which Ms. Munnik will serve as the Chief Financial Officer of the Company. The initial term of the employment agreement is three years and shall automatically renew for successive one-year periods unless either the Company or Ms. Munnik provide the other party with written notice of non-renewal at least 60 days before the end of each term. We agreed to pay Ms. Munnik a base annual salary of $180,000. Ms. Munnik will receive options to purchase up to 25,000 shares upon a qualified offering pursuant to the provisions of an option agreement and is eligible for a cash incentive bonus in an amount to be approved by the Board. Should the current offering be completed, it will be considered a qualified offering pursuant to the terms of the employment agreement. The employment agreement contains covenants restricting Ms. Munnik's ability to compete with us, and to solicit our customers or employees, for a period of 12 months following termination of her employment, as well as covenants with respect to the protection of our confidential information. The employment agreement also requires us to indemnify Ms. Munnik against certain claims made against her arising from services she provides us in good faith. The employment agreement provides for severance pay in certain circumstances consisting of six months of continued payment of base salary on a bi-weekly basis and payment of health insurance premiums for up to six months. To be eligible for severance payments, Ms. Munnik must have entered into a full and complete general release of any and all claims against the Company and related persons and entities.

In November 2022, the Board approved an amendment to the Amended and Restated Employment Agreement between the Company and Ms. 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 $30,000 immediately and receive options to purchase 25,000 shares under the Stock Option Award Agreement ("Options"). The Options vested immediately.

On June 29, 2023, the Company entered into Amendment #2 to the Amended and Restated Employment Agreement between the Company and Cecile Munnik, pursuant to which the date on which, Ms. Munnik will become a full-time employee of NextPlat Corp. was extended for an additional year, until July 1, 2024. Ms. Munnik may continue to provide up to approximately 30% of her time on a weekly basis to provide services to NextPlat and receive compensation from NextPlat until June 30, 2024, but will otherwise devote her full time, attention, and energies to the business of the Company during customary business hours.

Employment Agreement by and between Pamela Roberts and the Company

We entered into an executive employment agreement with Dr. Roberts on May 1, 2023 pursuant to which Dr. Roberts will serve as the Chief Operating Officer ("COO") of the Company. The initial term of the employment agreement is one year and shall automatically renew for successive one-year periods unless either the Company or Dr. Roberts provide the other party with written notice of non-renewal at least 60 days before the end of each term. We agreed to pay Dr. Roberts a base annual salary of $180,000. The employment agreement contains covenants restricting Dr. Roberts' ability to compete with us, and to solicit our customers or employees, for a period of 12 months following termination of her employment, as well as covenants with respect to the protection of our confidential information. The employment agreement also requires us to indemnify Dr. Roberts against certain claims made against her arising from services she provides us in good faith.

Outstanding Equity Awards

The following table sets forth information concerning the outstanding option awards at December 31, 2023 by our executive officers:

	Option awards				
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date
Charles M. Fernandez	157,203	—	—	$ 2.20	09/13/2032
Cecile Munnik	25,000	—	—	$ 5.80	11/22/2031

Compensation of Directors

The table below summarizes all compensation of our non-employee directors for our last completed fiscal year.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Rodney Barreto	$ 7,000	$ 886,784(3)	$ 525,858(4)	$ —	$ —	$ —	$ 1,419,642
Jervis Bennet Hough	$ 13,000	$ 97,400	$ —	$ —	$ —	$ —	$ 110,400
Pedro Rodriguez, M.D.	$ 12,000	$ 97,400	$ —	$ —	$ —	$ —	$ 109,400
Joseph Ziegler	$ 12,000	$ 97,402	$ —	$ —	$ —	$ —	$ 109,402
Elizabeth Alcaine (5)	$ 3,000	$ 50,001	$ —	$ —	$ —	$ —	$ 53,001
Anthony Armas (5)	$ 3,000	$ 50,001	$ —	$ —	$ —	$ —	$ 53,001

(1) Stock awards are reported at aggregate grant date fair value in the year granted, as computed in accordance with FASB ASC Topic 718. Grant date fair value for restricted stock units is determined based on the number of shares granted multiplied by the market price of the Company's common stock. See Note 3. "Summary of Significant Accounting Policies" in Item 8, "Financial Statements and Supplementary Data."

(2) Amounts shown represent the fair market value of awards and do not necessarily correspond to the actual values that may be realized.

(3) Includes 228,240 shares issued pursuant to the Debt Modification Agreement and 130,571 share issued pursuant to warrants exercised on July 1, 2023.

(5) Includes 94,322 unexercised stock options issued pursuant to a Stock Option Agreement that accelerated vesting due to a change in control on July 1, 2023.

(5) Appointed as a Director effective July 17, 2023.

Stock options: Incentive stock options and nonstatutory stock options are granted under stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the Incentive Stock Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the Incentive Stock Plan vest based on vesting criteria specified in the stock option agreement as determined by the plan administrator.

Restricted stock unit awards: RSUs are granted under restricted stock unit award agreements adopted by the plan administrator. An RSU may be settled by cash, delivery of stock or a combination of cash and stock as deemed appropriate by the plan administrator. Additionally, dividend equivalents may be credited in respect of shares covered by an RSU. RSUs granted under the Incentive Stock Plan vest based on vesting criteria specified in the restricted stock unit award agreement as determined by the plan administrator.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 27, 2024, the number of and percent of the Company's common stock beneficially owned by: (i) each of our directors; (ii) each of our named executive officers; (iii) our directors and executive officers as a group, without naming them; and (iv) persons or groups known by us to own beneficially 5% or more of our voting securities.

A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 27, 2024, upon the exercise of options, warrants or other convertible securities. Each beneficial owner's percentage ownership is determined by assuming that convertible securities that are held by that beneficial owner, but not those held by any other person, and which are exercisable within 60 days of March 27, 2024, have been exercised and converted. Unless specified below, the address for each of the individuals below is 400 Ansin Blvd, Suite A, Hallandale Beach, Florida 33009.

Name and Address of Beneficial Owner	Common Stock Owned Beneficially	Percent of Class	Series B Preferred Stock Owned Beneficially	Percent of Class
Directors and Named Officers:				
Charles M. Fernandez, Chairman of the Board of Directors and Chief Executive Officer (1)	637,648	10.0%	—	—
Rodney Barreto, Vice Chairman of the Board of Directors (2)	540,309	8.5%	—	—
Cecile Munnik, Chief Financial Officer (3)	30,000	*%	—	—
Pamela Roberts, PharmD, Chief Operating Officer	3,522	*%	—	—
Jervis Bennett Hough, Director	42,957	*%	—	—
Joseph Ziegler, Director	48,049	*%	—	—
Pedro Rodriguez, M.D., Director	31,667	*%	—	—
Elizabeth Alcaine, Director	8,897	*%	—	—
Anthony Armas, Director	8,897	*%	—	—
All directors and officers as a group (9 persons)	1,351,946	20.6%	—	—
Greater than 5% Stockholders:				
NextPlat Corp. (4)				
3250 Mary St., Suite 410, Coconut Grove, FL 33133	4,703,520	60.9%	3,000	100.0%
Dawson James Securities, Inc. (5)				
1515 N. Federal Hwy., Suite 300, Boca Raton, FL 33432	471,500	7.0%	—	—
Sixth Borough Capital Fund, LP (6)				
1515 N. Federal Highway, Suite 300, Boca Raton, FL 33432	474,741	7.4%	—	—
Armen Karapetyan (7)				
3742 NE 208th St, Aventura, FL 33180	350,846	5.6%	—	—

*Less than 1% of our outstanding common stock.

(1) Includes vested stock options to acquire 157,203 shares of common stock. Also includes shares of our common stock issued to eAperion Partners, LLC, of which Mr. Fernandez is the owner.

(2) Includes vested stock options to acquire 125,762 shares of common stock. Also includes shares of our common stock issued to RLB Market Investments, LLC, of which Mr. Barreto is the owner.

(3) Includes vested stock options to acquire 25,000 shares of common stock.

(4) Includes (i) 3,000 convertible Series B Preferred Stock convertible into 1,500,000 shares of our common stock underlying a warrant and (ii) 3,000 convertible Series B Preferred Stock convertible into 1,500,000 shares of our common stock.

(5) Includes 471,500 shares of our common stock underlying a warrant.

(6) Includes 228,240 shares of our common stock underlying a warrant.

(7) Includes 90,000 shares of our common stock underlying a warrant.

There are no arrangements, known to us, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the Company.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table outlines our Equity Compensation Plan Information:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
2020 Incentive Plan	40,000	$ 5.80	368,997
Equity compensation plans not approved by security holders:			
Equity compensation issued pursuant to individual compensation arrangements	282,965	$ 2.20	—
Total	322,965	$ 2.65	368,997

The 2020 Incentive Plan (the "2020 Plan") was adopted in November 2020. Under this 2020 Plan, a total of 375,000 shares were authorized for stock-based compensation available in the form of either RSUs or stock options. As of December 31, 2023, under the 2020 Plan, there were 40,000 stock options outstanding, and the Company has granted 6,003 RSUs and has 328,997 shares available for future issuance. The fair value of the restricted stock awards equaled the stock price at the grant date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed in Item 11. Executive Compensation, the following describes transactions since January 1, 2022, to which the Company has been a participant, in which the amount involved in the transaction exceeds the lesser of $120,000 or 1% of the average of total assets at year-end for the last two completed fiscal years and in which any of the Company's directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

On August 30, 2022, NextPlat, Charles M. Fernandez, Rodney Barreto, and certain other purchasers purchased from Iliad Research a Secured Convertible Promissory Note, dated March 6, 2019, made by the Company to Iliad (the "Note"). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately $2.8 million. The aggregate purchase price paid to Iliad for the Note was $2.3 million of which NextPlat contributed $1.0 million and Messrs. Fernandez and Barreto contributed $400,000 each (the "Note Purchase"). In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with the Company. In consideration of the concessions in the Debt Modification Agreement, the Company issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, and Messrs. Fernandez and Barreto, received 45,653, 18,261, and 18,261 shares, respectively.

On May 5, 2023, the Company entered into a Securities Purchase Agreement (the "SPA") with NextPlat Corp ("NextPlat"), pursuant to which NextPlat agreed to purchase 455,000 newly issued units of securities from the Company (the "Units") at a price per Unit of $2.20 for an aggregate purchase price of $1 million (the "Unit Purchase"). Each Unit consists of one share of common stock, par value $0.0001 per share, of the Company ("Common Stock") and one warrant to purchase a share of Common Stock (the "PIPE Warrants"). The PIPE Warrants have a three-year term, and will be immediately exercisable. Each PIPE Warrant is exercisable at $2.20 per share of Common Stock. On May 9, 2023, the Company and NextPlat closed the transactions contemplated in the SPA. The Company intends to use the net proceeds from the Unit Purchase for its working capital needs. The Company received cash proceeds of $880,000, net of placement agent commission of $70,000 and legal fees of $50,000.

Simultaneous with the closing, the Company entered into a Debt Conversion Agreement (the "DCA") with NextPlat and the other holders (the "Holders") of that certain Amended and Restated Secured Convertible Promissory Note, dated as of September 2, 2022, made by the Company in the original face amount of approximately $2,8 million (the "Note"). Pursuant to the DCA, NextPlat and the Holders agreed to convert the total approximately $2.9 million of outstanding principal and accrued and unpaid interest to Common Stock at a conversion price of $2.20 per share (the "Debt Conversion"). Of the total 1,312,379 shares of Common Stock issued upon conversion of the Note pursuant to the DCA, NextPlat received 570,599 shares, Charles M. Fernandez, the Company's Chairman and Chief Executive Officer, received 228,240 shares, and Rodney Barreto, the Company's Vice-Chairman of the Board of Directors, received 228,240 shares. In addition, each of the Holders also received a warrant to purchase one share of Common Stock for each share of Common Stock they received upon conversion of the Note (the "Conversion Warrants"). The Conversion Warrants have a three-year term, and will be immediately exercisable. Each Conversion Warrant is exercisable at $2.20 per share of Common Stock.

At the same time, the Company and NextPlat entered into a First Amendment (the "Amendment") to that certain Securities Purchase Agreement dated November 16, 2022 (the "Debenture Purchase Agreement"). Under the Debenture Purchase Agreement, the Company agreed to issue, and NextPlat agreed to purchase, from time to time during the three-year term of the Debenture Purchase Agreement, up to an aggregate of $10 million of secured convertible debentures from the Company (the "Debentures"). Pursuant to the Amendment, NextPlat and the Company agreed to amend the Debenture Purchase Agreement and the form of Debenture attached as an exhibit thereto to have a conversion price of $2.20 per share. At present, no Debentures have been purchased by NextPlat under the Debenture Purchase Agreement.

In addition, the Company issued 330,000 warrants to certain existing investors of the Company to induce them to approve the transaction contemplated by the SPA (the "Inducement Warrants"). Charles M. Fernandez and Rodney Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. The Inducement Warrants have a three-year term and will be immediately exercisable. Each Inducement Warrant is exercisable at $2.20 per share of Common Stock.

Policies and Procedures for Transactions with Related Persons

Our CEO and CFO are responsible for reviewing and assessing the relevance of proposed relationships and transactions with related parties and ratify agreements for execution on our behalf. We do not currently have a formal policy with respect to approval of transactions with related persons but intend on adopting one in the future.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During the years ended December 31, 2023 and 2022, CohnReznick LLP and Daszkal Bolton LLP were the Company's independent registered public accounting firms, respectively.

The following table sets forth fees billed to us by our independent registered public accounting firm (in thousands):

CohnReznick LLP	2023	2022
Audit fees (1)	$ 125	$ —
Audit-related fees (2)	27	—
Tax fees	—	—
Other fees	—	—
Total fees	$ 152	$ —

Daszkal Bolton LLP	2023	2022
Audit fees (1)	$ —	$ 116
Audit-related fees (2)	—	13
Tax fees	—	—
Other fees (3)	7	13
Total fees	$ 7	$ 142

(1) Audit fees consisted primarily of fees for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports and current reports.
(2) Audit-related fees consisted of fees billed for services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit fees.
(3) Other fees consisted of fees for review of the Company's registration statement on Form S-1.

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, and other services to be provided by CohnReznick LLP. The policy requires that the Audit Committee pre-approve the audit and permissible non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management. All services described in the table above were pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements
The response to this portion of Item 15 is submitted as a separate section of this report beginning on page F-1.

All other financial statement schedules have been omitted as the required information is not pertinent to the Registrant or is not material or because the required information is included in the Financial Statements and Notes thereto.

(a) (3),(b) and (c):Exhibits: The response to this portion of Item 15 is submitted below.

EXHIBITS

3.1	Progressive Training Inc, Certificate of Incorporation, dated October 31, 2006 (Incorporated by reference to Exhibit 3.1 to Form 10-SB filed on June 13, 2007).
3.2	Progressive Care Inc., Certificate of Ownership and Merger of Progressive Care Inc. into Progressive Training, Inc. dated November 23, 2010 (Incorporated by reference to Exhibit 3.2 to Form DRS S-1 filed on November 9, 2020).
3.3	Certificate of Amendment of Certificate of Incorporation dated July 3, 2014 (Incorporated by reference to Exhibit 3.3 to Form DRS S-1 filed on November 9, 2020).
3.4	Certificate of Designations, Preferences and Rights of Series A Preferred Stock dated December 18, 2014 (Incorporated by reference to Exhibit 3.4 to Form DRS S-1 filed on November 9, 2020).
3.5	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock dated September 1, 2022 (Incorporate by reference to Exhibit 3.5 to Form 10-Kfiled on March 30, 2023).
3.6	Certificate of Amendment to the Certificate of Incorporation dated February 26, 2015 (Incorporated by reference to Exhibit 3.5 to Form DRS S-1 filed on November 9, 2020).
3.7	Certificate of Amendment to Certificate of Incorporation dated September 23, 2019 (Incorporated by reference to Exhibit 3.6 to Form DRS S-1 filed on November 9, 2020).
3.8	Certificate of Correction dated September 26, 2019 (Incorporated by reference to Exhibit 3.7 to Form DRS S-1 filed on November 9, 2020).
3.9	Progressive Care Inc., Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.8 to Form DRS S-1 filed on November 9, 2020).
3.11	Certificate of Amendment to the Certificate of Incorporation dated December 29, 2022 (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on January 4, 2023).
4.1	Promissory Note between Regions Bank and Pharmco, LLC, 400 Ansin Blvd., Hallandale Beach, FL, dated as of December 14, 2018 (Incorporated by reference to Exhibit 4.1 to Form DRS S-1 filed on November 9, 2020).
4.2	Promissory Note between 400 Ansin LLC and Company, 400 Ansin Blvd., Hallandale Beach, FL, dated as of December 14, 2018 (Incorporated by reference to Exhibit 4.2 to Form DRS S-1 filed on November 9, 2020).
4.7*	Description of Securities.
10.1+	Director Agreement between Jervis Hough and Progressive Care Inc., dated as of August 1, 2017 (Incorporated by reference to Exhibit 10.1 to Form DRS S-1 filed on November 9, 2020).
10.4+	Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of October 15, 2020 (Incorporated by reference to Exhibit 10.4 to Form DRS S-1 filed on November 9, 2020).
10.6	Membership Interest Purchase Agreement – Touchpoint RX, LLC dated as of March 30, 2018 (Incorporated by reference to Exhibit 10.6 to Form DRS S-1 filed on November 9, 2020).
10.8	Membership Interest Exchange Agreement, dated January 5, 2015 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 9, 2015).
10.9+	Incentive Stock Plan (Incorporated by reference to Exhibit 10.9 to Form S-1 filed on October 12, 2021).
10.11+	Amended and Restated Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of November 22, 2021 (Incorporated by reference to Exhibit 10.11 to Form 10-12G filed on February 9, 2022).
10.13+	Amended and Restated Employment Agreement by and between Armen Karapetyan and the Company, dated as of November 22, 2021 (Incorporated by reference to Exhibit 10.13 to Form 10-12G filed on February 9, 2022).
10.14+	Employment Agreement by and between Carlos Rangel and the Company, dated as of November 22, 2021 (Incorporated by reference to Exhibit 10.14 to Form 10-12G filed on February 9, 2022).
10.19+	Director Agreement between Joseph Ziegler and the Company dated as of December 9, 2021 (Incorporated by reference to Exhibit 10.19 to Form10-12G filed on February 9, 2022).
10.20	Stock Purchase Agreement by and among certain sellers and Company dates as of March 8, 2019 (Incorporated by reference to Exhibit 10.20 to Form 10-12G/A filed on April 7, 2022).
10.21	Amendment to Stock Purchase Agreement by and among certain sellers and Company dated as of November 1, 2019 (Incorporated by reference to Exhibit 10.21 to Form 10-12G/A filed on April 7, 2022).
10.22	Securities Purchase Agreement dated August 30, 2022 by and between the Company and NextPlat (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 6, 2022).

10.23	Registration Rights Agreement (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on September 6, 2022).
10.24	Exchange Agreement (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on September 6, 2022).
10.25	Confidential Note Purchase and Release Agreement dated August 30, 2022 by and between the Company, NextPlat, Iliad Research and Trading L.P., Pharmco, LLC, Charles Fernandez, Rodney Barreto, Daniyel Erdberg and Sixth Borough Capital Fund, LP (Incorporated by reference to Exhibit 10.4 to Form 8-K filed on September 6, 2022).
10.26	Placement Agency Agreement dated August 30, 2022 by and between the Company and Dawson James Securities (Incorporated by reference to Exhibit 10.6 to Form 8-K filed on September 6, 2022).
10.27	Form of Securities Purchase Agreement dated November 16, 2022 by and between the Company and NextPlat (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 18, 2022).
10.28	Form of Debenture (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 18, 2022).
10.29	Form of Security Agreement dated as of November 16, 2022 by Company, Touchpoint RX, LLC, Family Physicians RX, Inc., and ClearMetrX Inc. in favor of NextPlat Corp. (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on November 18, 2022).
10.30	Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.4 to Form 8-K filed on November 18, 2022)
10.33+	Amendment to Amended and Restated Executive Employment Agreement by and between Cecile Munnik and the Company, dated as of November 14, 2022 (Incorporated by reference to Exhibit 10.24 to Form 10-Q filed on November 14, 2022).
10.34+	Stock Option Agreement by and between Rodney Barreto and the Company, dated as of September 13, 2022 (Incorporated by reference to Exhibit 10.25 to Form 10-Q filed on November 14, 2022).
10.35+	Stock Option Agreement by and between Charles M. Fernandez and the Company, dated as of October 7, 2022 (Incorporated by reference to Exhibit 10.26 to Form 10-Q filed on November 14, 2022).
10.36+	Form of Employment Agreement by and between the Company and Pamela Roberts, dated May 1, 2023 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 4, 2023).
10.37	Securities Purchase Agreement, dated May 5, 2023, by and between the Company and NextPlat Corp. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 11, 2023).
10.38	Form of PIPE Warrant (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on May 11, 2023).
10.39	Debt Conversion Agreement, dated May 9, 2023, by and between the Company, NextPlat Corp., Charles M. Fernandez, Rodney Barreto, Daniyel Erdberg, and Sixth Borough Capital LLC (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on May 11, 2023).
10.40	Form of Conversion Warrant (Incorporated by reference to Exhibit 10.4 to Form 8-K filed on May 11, 2023).
10.41	First Amendment to Securities Purchase Agreement, dated May 9, 2023, by and between the Company and NextPlat Corp. (Incorporated by reference to Exhibit 10.5 to Form 8-K filed on May 11, 2023).
10.42	Form of Inducement Warrant (Incorporated by reference to Exhibit 10.6 to Form 8-K filed on May 11, 2023).
10.43	Form of Placement Agent Warrant (Incorporated by reference to Exhibit 10.7 to Form 8-K filed on May 11, 2023).
10.44+	Management Services Agreement, dated February 1, 2023, by and between the Company and NextPlat Corp. (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 12, 2023).
10.45+	Form of Director Agreement (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 21, 2023).
10.46+	Amendment #2 to the Amended and Restated Employment Agreement by and between Cecile Munnik and the Company, dated as of June 29, 2023 (Incorporated by reference to Exhibit 10.9 to Form 10-Q filed on August 14, 2023).
10.47	Voting Agreement by and between NextPlat Corp., Charles M. Fernandez, and Rodney Barreto, dated June 30, 2023 (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed on November 14, 2023).
14.1	Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14.1 to Form S-1 filed on October 12, 2021).
21.1*	List of Subsidiaries of Progressive Care Inc.
24.1	Power of Attorney (set forth on the Signature Page of the Registration Statement) (Incorporated by reference to Exhibit 24.1 to Form DRS S-1 filed on November 9, 2020).
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.

97*	Progressive Care Inc. Compensation Recovery Policy
99.1	Corporate Governance Principles (Incorporated by reference to Exhibit 99.1 to Form S-1 filed on October 12, 2021)
99.2	Audit Committee Charter (Incorporated by reference to Exhibit 99.2 to Form S-1 filed on October 12, 2021)
99.3	Compensation Committee Charter (Incorporated by reference to Exhibit 99.3 to Form S-1 filed on October 12, 2021)
99.4	Nominating and Corporate Governance Committee Charter (Incorporated by reference to Exhibit 99.4 to Form S-1 filed on October 12, 2021)
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith
+ Management contract or compensatory plan or arrangement

Financial Statements are submitted as a separate section of this report beginning on page F-1.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, duly authorized officers and directors.

Progressive Care Inc.

Date: April 10, 2024

By: */s/ CHARLES M. FERNANDEZ*
Charles M. Fernandez
Chief Executive Officer

Dated:	Title	Signature
Date: April 10, 2024	Chief Executive Officer and Director (Principle Executive Officer)	*/s/ CHARLES M. FERNANDEZ* Charles M. Fernandez
Date: April 10, 2024	Chief Financial Officer (Principle Financial and Accounting Officer)	*/s/ CECILE MUNNIK* Cecile Munnik
Date: April 10, 2024	Director	*/s/ RODNEY BARRETO* Rodney Barreto
Date: April 10, 2024	Director	*/s/ JERVIS HOUGH* Jervis Hough
Date: April 10, 2024	Director	*/s/ PEDRO RODRIGUEZ* Pedro Rodriguez
Date: April 10, 2024	Director	*/s/ JOSEPH ZIEGLER* Joseph Ziegler
Date: April 10, 2024	Director	*/s/ ELIZABETH ALCAINE* Elizabeth Alcaine
Date: April 10, 2024	Director	*/s/ ANTHONY ARMAS* Anthony Armas

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
Progressive Care Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Progressive Care Inc. and Subsidiaries (the "Company") as of December 31, 2023 (Successor), and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from July 1, 2023 through December 31, 2023 (Successor) and the period from January 1, 2023 through June 30, 2023 (Predecessor), and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 (Successor) and the results of its operations and its cash flows for the period from July 1, 2023 through December 31, 2023 (Successor) and the period from January 1, 2023 through June 30, 2023 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Revision to 2022 consolidated financial statements

We have also audited the 2022 segment information included in Notes 12 and 19 to the consolidated financial statements. In our opinion, such segment information is appropriate and has been prepared on a consistent basis with the 2023 segment information. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to the segment information and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

Basis for Opinion

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

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

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

/s/ CohnReznick LLP

We have served as the Company's auditor since 2023.

New York, New York
April 10, 2024

Report of Independent Registered Public Accounting Firm

Board of Directors

Stockholders of Progressive Care Inc.

Opinion on the Financial Statements

We have audited, before the inclusion of segment information included in Notes 12 (Goodwill and Intangible Assets) and 19 (Reportable Segments), the accompanying consolidated balance sheet of Progressive Care, Inc. (the "Company") at December 31, 2022, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, before the inclusion of segment information included in Notes 12 (Goodwill and Intangible Assets) and 19 (Reportable Segments), the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Goodwill Impairment Assessments

As described in Note 3 to the consolidated financial statements, the Company's goodwill balance was approximately $1.4 million at December 31, 2022. Management tests goodwill for impairment by performing an initial qualitative assessment (and quantitative assessment, if necessary), at least annually, or more frequently if an indication of impairment exists. Management's goodwill impairment assessment and testing is performed during the fourth quarter of each year by comparing the estimated fair value of an associated reporting unit at December 31, 2022 to its carrying value.

The principal considerations for our determination that performing procedures relating to qualitative goodwill impairment testing is a critical audit matter are there was significant judgment by management when developing the fair value measurement of any reporting units where qualitative test was performed and there was a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence relating to management's analysis.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's qualitative goodwill impairment test, including controls over the valuation of any reporting units for which a qualitative test was performed. Evaluating whether the assumptions used by management was reasonable considering (i) the current and past performing of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether the assumption was consistent with evidence obtained in other areas of the audit.

Valuation of Derivative Liabilities

As described Note 3 and 10 to the consolidated financial statements, the Company determined that the conversion features of its convertible notes in conjunction with financing arrangements required to be accounted for as derivative liabilities. The derivative liabilities are recorded at fair value when issued and subsequently re-measured to fair value each reporting period. The Company utilized the Monte Carlo Simulation Model ("model") to determine the fair value of the derivative liabilities, which uses certain assumptions related to exercise price, term, expected volatility, and risk-free interest rate.

We determined the assessment of the fair values of the derivative liabilities as a critical audit matter due to the significant judgements used by the Company in determining the fair value of the derivative liabilities. Auditing the valuation of the derivative liabilities involved a high degree of auditor judgement and specialized skills and knowledge were needed.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing management's process for developing the fair value measurement, evaluating the appropriateness of the model used by the Company to value the derivative liabilities, testing the reasonableness of the assumptions used by the Company in the model including exercise price, term, expected volatility, and risk-free interest rate and testing the accuracy and completeness of data used by the Company in developing the assumptions use in the model.

/s/ Daszkal Bolton LLP

We have served as the Company's auditor from 2020 to 2023.

Boca Raton, Florida
March 30, 2023

PROGRESSIVE CARE INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except shares and par data)

	Successor December 31, 2023	Predecessor December 31, 2022
Assets		
Current Assets		
Cash	$ 7,895	$ 6,743
Accounts receivable – trade, net	8,339	3,672
Receivables - other, net	1,846	2,030
Inventory, net	3,069	688
Prepaid expenses	334	245
Total Current Assets	21,483	13,378
Property and equipment, net	3,284	2,583
Other Assets		
Goodwill	731	1,388
Intangible assets, net	14,398	127
Operating right-of-use assets, net	427	446
Finance right-of-use assets, net	22	54
Deposits	39	39
Total Other Assets	15,617	2,054
Total Assets	$ **40,384**	$ **18,015**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 12,158	$ 7,384
Notes payable	145	227
Operating lease liabilities	170	200
Finance lease liabilities	18	34
Total Current Liabilities	12,491	7,845
Long-term Liabilities		
Notes payable, net of current portion	1,110	2,249
Operating lease liabilities, net of current portion	214	279
Finance lease liabilities, net of current portion	5	24
Total Liabilities	13,820	10,397
Commitments and Contingencies	—	—
Stockholders' Equity		
Preferred Stock, Series A ($0.001 par value, 51 shares authorized and designated; 0 shares issued and outstanding as of December 31, 2023 and 2022, respectively)	—	—
Preferred Stock, Series B ($0.0001 par value, 100,000 shares authorized and designated; 3,000 issued and outstanding as of December 31, 2023 and 2022, respectively)	—	—
Common stock ($0.0001 par value, 100,000,000 shares authorized; 6,222,781 and 3,347,440 issued and outstanding as of December 31, 2023 and 2022, respectively)	67	67
Additional paid-in capital	60,886	22,525
Accumulated deficit	(34,389)	(14,974)
Total Stockholders' Equity	26,564	7,618
Total Liabilities and Stockholders' Equity	$ **40,384**	$ **18,015**

See accompanying notes to consolidated financial statements.

PROGRESSIVE CARE INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Sales of products, net	$ 21,412	$ 19,193	$ 36,608
Revenues from services	5,367	3,755	3,994
Revenues, net	26,779	22,948	40,602
Costs of products	18,191	16,132	30,656
Costs of services	132	110	243
Costs of revenue	18,323	16,242	30,899
Gross profit	8,456	6,706	9,703
Operating expenses:			
Salaries and wages	3,973	3,300	5,843
Professional fees	506	1,048	1,203
Depreciation and amortization	1,463	137	209
Selling, general, and administrative	3,277	1,582	5,027
Goodwill impairment	13,895	—	—
Total operating expenses	23,114	6,067	12,282
(Loss) income from operations	(14,658)	639	(2,579)
Other income (expense):			
Change in fair value of derivative liabilities	—	—	(3,323)
Gain on debt extinguishment	—	—	953
Grant revenue	—	—	2,079
Debt conversion expense	—	(5,206)	—
Other finance costs	—	—	(147)
Abandoned offering costs	—	—	(635)
Day one loss on issuance of units	—	—	(1,026)
Day one loss on debt modification	—	—	(524)
Gain on sale or disposal of property and equipment	—	3	12
Interest income	64	12	85
Interest expense	(54)	(215)	(798)
Total other income (expense)	10	(5,406)	(3,324)
Loss before income taxes	(14,648)	(4,767)	(5,903)
Provision for income taxes	—	—	(1)
Net loss	(14,648)	(4,767)	(5,904)
Series A Preferred Stock dividend associated with induced conversion	—	—	(541)
Net loss attributable to common shareholders	$ (14,648)	$ (4,767)	$ (6,445)
Basic and diluted weighted average loss per common share	$ (2.36)	$ (1.22)	$ (2.21)
Weighted average number of common shares outstanding during the period – basic and diluted	6,196	3,896	2,912

See accompanying notes to consolidated financial statements.

PROGRESSIVE CARE INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(In thousands)

	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' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2021 (Predecessor)	—	$ —	—	$ —	2,724	$ 54	$ 8,862	$ (8,529)	388
Issuance of common stock for services	—	—	—	—	141	3	677	—	680
Stock-based compensation	—	—	—	—	249	5	1,180	—	1,185
Issuance of common stock for debt modification agreement	—	—	—	—	105	2	460	—	462
Issuance of common stock in exchange for redemption and cancellation of Series A Preferred Stock	—	—	—	—	128	3	538	—	541
Series A Preferred Stock dividend associated with induced conversion	—	—	—	—	—	—	—	(541)	(541)
Issuance of Series B Preferred Stock from securities purchase agreement	—	—	3	—	—	—	—	—	—
Reclassification of debt and equity contracts	—	—	—	—	—	—	10,109	—	10,109
Stock options granted during the period	—	—	—	—	—	—	698	—	698
Net loss	—	—	—	—	—	—	—	(5,904)	(5,904)
Balance at December 31, 2022 (Predecessor)	—	—	3	—	3,347	67	22,524	(14,974)	7,618
Stock-based compensation	—	—	—	—	73	—	250	—	250
Issuance of common stock for PIPE transaction	—	—	—	—	455	—	880	—	880
Issuance of common stock for debt conversion	—	—	—	—	1,313	—	6,400	—	6,400
Net loss for the six months ended June 30, 2023	—	—	—	—	—	—	—	(4,767)	(4,767)
Balance at June 30, 2023 (Predecessor)	—	$ —	3	$ —	5,188	$ 67	$ 30,054	$ (19,741)	$ 10,381
Issuance of common stock for warrants exercised on July 1, 2023	—	—	—	—	974	—	506	—	506
Balance at July 1, 2023 (Successor)	—	$ —	3	$ —	6,162	$ 67	$ 59,568	$ (19,741)	$ 39,894
Stock-based compensation	—	—	—	—	61	—	1,353	—	1,353
Cost associated with issuance of common stock for PIPE transaction	—	—	—	—	—	—	(35)	—	(35)
Net loss for six months ended December 31, 2023	—	—	—	—	—	—	—	(14,648)	(14,648)
Balance at December 31, 2023 (Successor)	—	$ —	3	$ —	6,223	$ 67	$ 60,886	$ (34,389)	$ 26,564

See accompanying notes to the consolidated financial statements.

PROGRESSIVE CARE INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Cash flows from operating activities:			
Net loss	$ (14,648)	$ (4,767)	$ (5,904)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	136	96	142
Change in provision for credit losses	47	21	(3)
Stock-based compensation	1,353	250	1,905
Amortization of debt issuance costs and debt discounts	—	128	417
Gain on debt extinguishment	—	—	(953)
Debt conversion expense	—	5,206	—
Other financing costs	—	—	148
Day one loss on issuance of units	—	—	1,026
Day one loss on debt modification	—	—	524
Amortization of right-of-use assets - finance leases	15	17	32
Amortization of right-of-use assets - operating leases	102	78	177
Change in fair value of derivative liability	—	—	3,323
Change in accrued interest on notes payable	—	47	321
Amortization of intangible assets	1,312	24	36
Gain on sale or disposal of property and equipment	—	(3)	(12)
Goodwill impairment	13,895	—	—
Changes in operating assets and liabilities, net of effects of business combination without transfer of consideration:			
Accounts receivable	(3,755)	(1,100)	(1,466)
Grant receivable	—	277	(1,637)
Inventory	(1,438)	(918)	437
Prepaid expenses	(144)	26	696
Deposits	—	(1)	—
Accounts payable and accrued liabilities	3,932	850	1,620
Operating lease liabilities	(83)	(81)	(160)
Net cash provided by operating activities	724	150	669
Cash flows from investing activities:			
Purchase of property and equipment	(538)	(234)	(186)
Proceeds from sale or disposal of property and equipment	—	3	12
Purchase of intangible assets	—	—	(10)
Net cash used in investing activities	(538)	(231)	(184)
Cash flows from financing activities:			
Proceeds from warrants exercised	506	—	—
Proceeds from issuance of preferred stock allocated to derivative liabilities	—	—	6,000
Payment of stock issuance costs	—	—	(579)
Payment of debt discount and debt issuance costs	—	—	(222)
Payments on notes payable	(99)	(173)	(313)
Payments on finance lease liabilities	(15)	(17)	(40)
Issuance of common stock for PIPE transaction	—	1,000	—
Payment of stock issuance costs	(35)	(120)	—
Net cash provided by financing activities	357	690	4,846
Increase in cash	543	609	5,331
Cash at beginning of period	7,352	6,743	1,412
Cash at end of period	$ 7,895	$ 7,352	$ 6,743
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 33	$ 37	$ 104
Cash paid for income taxes	$ —	$ —	$ 1
Supplemental schedule of non-cash investing and financing activities:			
Business combination without transfer of consideration	$ 39,895	$ —	$ —
Debt conversion of long-term notes payable and accrued interest, net of unamortized debt discount and debt issuance costs	$ —	$ 1,195	$ —
Issuance of common stock and common stock purchase warrants for debt conversion	$ —	$ 6,400	$ —
Debt extension fees and other financing costs added to note principal	$ —	$ —	$ 484
Issuance of common stock for services rendered	$ —	$ —	$ 680
Insurance premiums financed through issuance of note payable	$ —	$ —	$ 128
Equipment purchase financed through issuance of note payable	$ —	$ —	$ 115

See accompanying notes to the consolidated financial statements.

PROGRESSIVE CARE INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Unless the context requires otherwise, references to the "Company," "we," "us," "our," "our Company," or "our business" in these consolidated financial statements on Form 10-K refer to Progressive Care Inc. and its subsidiaries.

Note 1. Organization and Nature of Operations

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

Progressive, through its wholly-owned subsidiaries, Pharmco, LLC ("Pharmco 901"), Touchpoint RX, LLC doing business as Pharmco Rx 1002, LLC ("Pharmco 1002"), Family Physicians RX, Inc. doing business as PharmcoRx 1103 and PharmcoRx 1204 ("FPRX" or "Pharmco 1103" and "Pharmco 1204") (pharmacy subsidiaries collectively referred to as "Pharmco"), and ClearMetrX Inc. ("ClearMetrX"), 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 Miami-Dade County, Broward County, the Orlando/Tampa corridor, and the Treasure Coast of Florida. Progressive acquired all 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 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.

We have organized our operations into two reportable segments: Pharmacy Operations and TPA. See "Note 19. Reportable Segments."

On June 30, 2023, NextPlat Corp ("NextPlat"), Charles M. Fernandez, Chairman and Chief Executive Officer of the Company, and Rodney Barreto, Vice-Chairman of the Company, entered into a voting agreement whereby at any annual or special shareholders meeting of the Company's stockholders Messrs. Fernandez and Barreto agreed to vote all of the common stock shares that they own in the same manner that NextPlat votes its Common Stock and equivalents. On July 1, 2023, NextPlat and Messrs. Fernandez and Barreto exercised common stock purchase warrants and were issued 632,269, 211,470, and 130,571 common stock shares, respectively, by the Company. After the exercise of the common stock purchase warrants, NextPlat and Messrs. Fernandez and Barreto collectively owned 53% of the Company's voting common stock. Collectively, the exercise of the common stock purchase warrants and the entry into the voting agreement constituted a change in control in Progressive Care. As a result of the change in control, NextPlat was deemed the accounting acquirer in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* and elected to apply push-down accounting. The application of push-down accounting created a new basis of accounting for all assets and liabilities based on their fair value at the date of acquisition, with few exceptions permissible under GAAP. As a result, the Company's financial position, results of operations, and cash flows subsequent to the acquisition on July 1, 2023 have been segregated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through June 30, 2023 is referred to as the "Predecessor Company". The post-acquisition period, July 1, 2023 and forward, includes the impact of push-down accounting and is referred to as the "Successor Company".

Note 2. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Note 3. Summary of Significant Accounting Policies

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 our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to residual values, estimated asset lives, impairments and credit losses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to conform to the 2023 presentation. On the Consolidated Statements of Operations, Revenues, net, Costs of revenue, and Operating expenses have been disaggregated. Such reclassifications do not impact the Company's previously reported financial position or net loss.

Segment Reporting

The Company evaluated segment reporting in accordance with ASC 280, *Segment Reporting*, and concluded that the Company is comprised of two operating segments. This conclusion is based on the discrete operating results regularly reviewed by the chief operating decision maker ("CODM") to assess the performance of the business and to make resource allocations. These two operating segments also represent our two reportable segments: (i) Pharmacy Operations and (ii) Third-Party Administration.

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 of $250,000. The Company had approximately $2.7 million that was uninsured at December 31, 2023. In July 2023, the Company entered into a deposit placement agreement for Insured Cash Sweep Services ("ICS"). This service is a secure and convenient way to access FDIC protection on large deposits, earn a return, and enjoy flexibility. The Company believes that the ICS agreement reduces its credit risk as it relates to uninsured FDIC amounts in excess of $250,000.

Cash Equivalents

The Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2023 and 2022.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are stated at the invoiced amount. Trade accounts receivable primarily include amounts from third-party pharmacy benefit managers ("PBM") and insurance providers and are based on contracted prices. Trade accounts receivable are unsecured and require no collateral. The Company records an allowance for credit losses 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.

Concentrations

Suppliers:

The Company had significant concentrations with one vendor. The purchases from this significant vendor were 99%, 97% and 95% of total vendor purchases for the six months ended December 31, 2023 (Successor period), the six months ended June 30, 2023 (Predecessor period), and the year ended December 31, 2022 (Predecessor period), respectively.

Customers:

The Company derives a significant portion of sales from prescription drug sales reimbursed through prescription drug plans administered by PBM companies. Prescription reimbursements from three significant PBMs were as follows:

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
A	31%	28%	—
B	29%	38%	56%
C	14%	19%	36%

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 of approximately $65,000 and $40,000 as of December 31, 2023 and 2022, 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.

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. The Company uses a measurement period following the acquisition date to gather information that existed as of the acquisition date that is needed to determine the fair value of the assets acquired, liabilities assumed and equity interests. The measurement period ends once all information is obtained, but no later than one year from the acquisition date

Goodwill

Goodwill represents the excess of the total purchase consideration over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is tested for impairment annually in the fourth fiscal quarter or in interim periods if events or changes in circumstances indicate that it is more likely than not to be impaired. The Company considers the reporting units for goodwill impairment testing to be the operating segments plus an allocation of the Corporate business unit's expenses.

Intangible Assets

Acquired intangible assets with finite lives other than goodwill are amortized over their useful lives. For intangible assets acquired 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. Intangible assets subject to amortization represent the fair value of client relationships and tradenames acquired, as well as non-compete agreements to which the Company is a party and capitalized software development costs. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required.

Long-lived Asset Impairment

The Company reviews its long-lived assets, comprised of property and equipment, right-of-use assets, and intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and consider market participants in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company evaluates the long-lived assets of the reporting units for impairment at the lowest asset group level for which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the carrying amount of the asset group is compared to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to the fair value based on estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. As of December 31, 2023, there were no indications that the carrying amounts of our long-lived assets exceeded their respective fair values.

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 and paragraph 815-40-25 of the Financial Accounting Standard Board ("FASB") ASC. 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 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 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 provides prescription pharmaceuticals, COVID-19 related diagnostics and vaccinations, TPA services, and contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program. Under the terms of the contracted pharmacy services for 340B covered entities, the Company acts 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.

The Company recognizes product sales from prescriptions dispensed to patients (customers) at the time the drugs are physically delivered to a customer or when a customer picks up their prescription, which is the point in time when control transfers to the customer. 340B dispensing fees are a component of 340B contract revenue, which are recognized at the time the drugs are received by the patient, by either delivery or customer pick up. 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 is obtained to ensure payment 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 customer's insurance provider. The Company is the agent in all of the 340B pharmacy dispensing service agreements transactions with 340B covered entities and not the principal in the transactions. Thus, the Company only recognizes its net fee for the prescription dispensing transactions and not the gross billing and cost of goods sold for the drugs dispensed.

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

DIR fees are fees charged by 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 two to three months after the end of the trimester (e.g., DIR fees for January – April 2023 claims were clawback by these PBMs in July – August 2023). 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.

Billings for most prescription orders are with third-party payers, including Medicare, Medicaid, and insurance carriers. Customer returns are nominal.

The Company recognizes revenue from TPA services as it satisfies the performance obligations under the TPA contract with a 340B covered entity. TPA services provided to covered entities include consulting services, accounting and reconciliation of contract pharmacy billings, and various compliance services. The covered entity simultaneously receives and consumes benefits as the Company performs services under the TPA contract. These services are capable of being distinct from one another, e.g., the covered entity may receive benefit from each separate service, but in the context of a TPA contract, these qualify as a series of distinct services. The Company provides a significant service of integrating the services into a combined output that benefits the covered entity, that benefit being ensuring compliance by the covered entity with 340B regulations. Therefore, the Company considers the combined services to be a single performance obligation in each TPA contract.

As stated in the TPA agreements, the Company receives a fixed percentage which is applied to the gross pharmacy service billings over the contract period. The gross pharmacy service billings are estimated based on the number of prescriptions filled by the Pharmacy Service contractor multiplied by the reimbursement rates set by the insurance providers. The Company invoices the covered entities for TPA services on a semi-monthly basis and collections are within 24-45 days of invoicing.

ASC 606 provides a practical expedient wherein an entity may recognize revenue in the amount to which it has a right to invoice a customer if the entity has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. This expedient could be available, for example, for a service contract in which an entity bills a fixed amount for each hour of service provided. The Company believes that this practical expedient applies to its TPA contracts and we have elected this method in measuring revenue over the TPA contract term.

The Company recognizes COVID-19 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.

The following tables disaggregates net revenues by categories (in thousands):

	Successor			
	Six Months Ended December 31, 2023			
	Pharmacy Operations	Third-Party Administration	Corporate	Total
Sales of products, net				
Prescription revenue, net of PBM fees	$ 21,481	$ —	$ —	$ 21,481
COVID-19 testing revenue	7	—	—	7
Other revenue	8	—	—	8
Subtotal	21,496	—	—	21,496
Revenues from services:				
340B contract revenue	4,061	1,222	—	5,283
Revenues, net	$ 25,557	$ 1,222	$ —	$ 26,779

	Predecessor			
	Six Months Ended June 30, 2023			
	Pharmacy Operations	Third-Party Administration	Corporate	Total
Sales of products, net				
Prescription revenue, net of PBM fees	$ 19,219	$ —	$ —	$ 19,219
COVID-19 testing revenue	54	—	—	54
Other revenue	5	—	—	5
Subtotal	19,278	—	—	19,278
Revenues from services:				
340B contract revenue	2,473	1,197	—	3,670
Revenues, net	$ 21,751	$ 1,197	$ —	$ 22,948

	Predecessor			
	Year Ended December 31, 2022			
	Pharmacy Operations	Third-Party Administration	Corporate	Total
Sales of products, net				
Prescription revenue, net of PBM fees	$ 34,894	$ —	$ —	$ 34,894
COVID-19 testing revenue	1,915	—	—	1,915
Other revenue	3	—	—	3
Subtotal	36,812	—	—	36,812
Revenues from services:				
340B contract revenue	2,665	1,125	—	3,790
Revenues, net	$ 39,477	$ 1,125	$ —	$ 40,602

Grant Revenue

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Predecessor Company was eligible for refundable employee retention credits ("ERCs") subject to certain conditions which were met during the year ended December 31, 2022. In connection with the ERCs, the Predecessor 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 Predecessor Company recorded approximately $2.1 million of grant revenue (recorded as Other income) and grant revenue receivable during the year ended December 31, 2022. The Predecessor Company received approximately $1.6 million of ERC proceeds during the year ended December 31, 2022, which were credited against grant revenue receivable. Grant revenue receivable balance at December 31, 2022 was approximately $0.3 million and recorded in Receivables – other on the Consolidated Balance Sheets. There was no grant revenue receivable balance at December 31, 2023.

Cost of Products and Services

Cost of prescription 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.

Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Advertising expense was approximately $0.1 million, $0.1 million, and $0.3 million for the six months ended December 31, 2023, the six months ended June 30, 2023, and year ended December 31, 2022, 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-based 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 Consolidated Statements of Operations.

Offering Costs

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin Topic 5A – *Expenses of Offering*. Offering costs generally are deferred and reclassified as a charge to additional paid-in capital 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 Company accounts for uncertainty in income taxes by recognizing a tax position in the consolidated financial statements only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company records interest and penalties related to tax uncertainties, if any, as income tax expense. Based on management's evaluation, the Company does not believe it has any uncertain tax positions as of December 31, 2023 and 2022. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years including and prior to 2020.

Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding, adjusted for the dilutive effect of common stock purchase warrants and stock options, using the treasury stock method, and convertible debt, using the if converted method. See Note 7 for more information on the computation of EPS.

Recently Adopted Accounting Standards

In August 2023, the FASB issued Accounting Standards Update ("ASU") 2023-04, "Liabilities (Topic 405) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121", to amend and add various SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Bulletin No. 121. The Company adopted this conforming guidance upon issuance and the adoption had no material impact on our consolidated financial statements and related disclosures.

In July 2023, the FASB issued ASU 2023-03, "Presentation of Financial Statement (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)", to amend various SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 120, among other things. The Company adopted this conforming guidance upon issuance and the adoption had no material impact on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments" ("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. In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." This ASU clarifies receivables from operating leases are accounted for using the lease guidance and not as financial instruments. In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." This ASU clarifies various scoping and other issues arising from ASU 2016-13. In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments." This ASU improves the Codification and amends the interaction of Topic 842 and Topic 326. ASU 2016-13 and related amendments are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted this guidance effective January 1, 2023 and the adoption had no material impact on our consolidated financial statements and related disclosures.

Accounting Pronouncements Issued but not yet Adopted

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740)—Improvements to Income Tax Disclosure" ("ASU 2023-09"), which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. ASU 2023-09 is required to be adopted for annual periods beginning after December 15, 2024, with early adoption permitted. The Company will adopt this accounting standard update effective January 1, 2025. The Company expects that the adoption of the standard will not have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. ASU 2023-07 is required to be adopted for annual periods beginning after December 15, 2023, and interim period within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company will adopt this accounting standard update effective January 1, 2024. The Company expects that the adoption of the standard will not have a material impact on our consolidated financial statements.

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

Note 4. Business Combination Without Transfer of Consideration

As referenced in Note 1, the Company has applied push-down accounting to its financial statements. Due to the change in control, the Company remeasured its assets and liabilities as of the acquisition date, July 1, 2023, to be recognized at their estimated fair values. The assets and liabilities were measured at estimated fair values primarily using Level 3 inputs. Estimates of fair value represent management's best estimate which require a complex series of judgments about future events and uncertainties. Third-party valuation specialists were engaged to assist in the valuation of these assets and liabilities. The fair values of the Company's current assets and current liabilities were assumed to approximate their carrying values. The estimated fair values of the Company's identifiable intangible assets consist of trade name, developed technology, and pharmacy records. The fair values of trade name and developed technology were estimated by applying an income approach, specifically a relief from royalty method. The fair value of pharmacy records was estimated by applying a market approach. The estimated fair value of the Company's building and land, included in property and equipment, net, was estimated by applying a sales comparison approach while vehicles, furniture and equipment, leasehold improvements and fixtures, and computer equipment were assumed to approximate their carrying value. These fair value measurements are based on significant inputs not observable in the market, and thus represent Level 3 measurements - see Note 6. Goodwill was recorded as the excess of the estimated enterprise value over the sum of the fair value amounts allocated to the Company's assets and liabilities. The goodwill is not deductible for tax purposes.

The following table summarizes the allocation of the fair value of the consideration to the assets and liabilities of the Company on July 1, 2023. The total consideration is based on the fair value of the Company's common stock outstanding at July 1, 2023, which was 7,662,343 total implied shares outstanding and a fair market value of $4.45 per share, plus the fair value of warrants and options outstanding at July 1, 2023 of approximately $5.8 million. Total implied shares outstanding at July 1, 2023 consisted of 6,162,343 common shares outstanding and 1,500,000 Preferred Stock, Series B as converted on July 1, 2023.

	(in thousands)
Total consideration	$ 39,895
Fair value of identifiable net assets:	
Cash	7,352
Accounts receivable	6,478
Receivables - other	506
Inventory	1,631
Prepaid expenses	220
Property and equipment	2,883
Right-of-use assets	405
Intangible assets:	
Trade name[1]	4,700
Developed technology[2]	2,880
Pharmacy records[2]	8,130
Deposits	39
Accounts payable and accrued expenses	(8,195)
Notes payable and accrued interest - current portion	(149)
Lease liabilities - current portion	(208)
Notes payable - long-term	(1,173)
Lease liabilities - long-term	(230)
Deferred tax liability[3]	—
Total fair value of net assets	$ 25,269
Goodwill	$ 14,626

(1) 10 year amortization period

(2) 5 year amortization period

(3) Under federal tax law, previously unidentified finite lived intangible assets recognized from a business combination have no tax basis and therefore are not amortized for tax purposes. This tax position created a book/tax basis difference that was previously not recognized at July 1, 2023, the date of the business combination transaction. Therefore, an approximate $4.0 million deferred tax liability measurement period adjustment was recorded at December 31, 2023 as a result of the book/tax basis difference for the finite lived intangible assets. In addition the Company determined that the acquired deferred tax liability could be utilized to offset preexisting deferred tax assets. Therefore, in accordance with ASC 805-740-45-2, the Company released the deferred tax asset valuation allowance as a reduction to goodwill in the amount of approximately $4.0 million during the measurement period.

Note 5. Liquidity and Going Concern Consideration

The Company has sustained recurring operating losses. At December 31, 2023, the Company had an accumulated deficit of approximately $34.4 million. For the six months ended December 31, 2023, the Company had a net loss of approximately $14.6 million and cash provided by operating activities of approximately $0.7 million. For the six months ended June 30, 2023, the Company had a net loss of approximately $4.8 million and cash provided by operating activities of approximately $0.2 million. The Company expects to continue to incur losses for at least the next 12 months from the date these financial statements are available.

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.

On May 5, 2023, the Company and NextPlat entered into a First Amendment (the "Amendment") to that certain Securities Purchase Agreement dated November 16, 2022 (the "Debenture Purchase Agreement"). Under the Debenture Purchase Agreement, we agreed to issue, and NextPlat agreed to purchase, from time to time during the three-year term of the Debenture Purchase Agreement, up to an aggregate of $10.0 million of secured convertible debentures from NextPlat (the "Debentures"). Pursuant to the Amendment, NextPlat and the Company agreed to amend the Debenture Purchase Agreement and the form of Debenture attached as an exhibit thereto to have a conversion price of $2.20 per share. As of April 10, 2024, the date the Audited Consolidated Financial Statements were issued, no Debentures have been purchased by NextPlat under the Debenture Purchase Agreement.

Management believes that our present cash position and the cash we expect to generate from operating activities are sufficient to allow the Company to continue as a going concern for at least 12 months from the issuance date of these consolidated financial statements. The Company also has availability for additional funding under the Debenture Purchase Agreement if needed.

Note 6. Fair Value Measurements

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices 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 substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

- *Cash, accounts receivable, and accounts payable and accrued liabilities:* The amounts reported in the accompanying consolidated balance sheets approximate fair value due to their short-term nature.

- *Notes payable and lease liabilities:* 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 approximated fair value due to the Company's incremental borrowing rate and the duration of the leases (Level 2 inputs).

Fair Value Measurements on a Recurring Basis

The following table is a roll forward of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Derivative Liabilities
Balance at January 1, 2022	$ 222
Changes in fair value	3,322
New derivatives	8,042
Transfers out	(11,586)
Balance at December 31, 2022	$ —

Changes in fair value of derivative liabilities for the year ended December 31, 2022 (Predecessor period) were included in net loss for the year.

Fair Value Measurement on a Nonrecurring Basis

Common Stock Purchase Warrants

As of December 31, 2023, the Company had common stock purchase warrants classified as Level 3 equity instruments. The fair value of the common stock purchase warrants on the date of issuance was approximately $4.6 million. The Company used the Monte Carlo simulation model for valuation of the common stock purchase warrants. Key inputs into the Monte Carlo simulation model were as follows at the valuation date: risk-free interest rate: 3.5%-3.7%; expected term: 3-5.6 years; expected volatility: 93%-102%; exercise price: $2.20. For additional information on the initial issuance and subsequent exercise of the common stock purchase warrants, see also "Note 16. Stockholder's Equity, Common Stock and Common Stock Purchase Warrants."

Note 7. Earnings (Loss) per Share

Basic earnings per share is computed by dividing net (loss) income available to common shareholders by the weighted average number of common shares outstanding during the year, excluding the effects of any potentially dilutive securities. Diluted earnings per share gives effect to all potentially dilutive shares of common stock outstanding during the year including common stock purchase warrants and stock options, using the treasury stock method, and convertible debt, using the if converted method. Diluted earnings per share excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The components of basic and diluted EPS were as follows (in thousands, except per share data). For all periods presented, the Company incurred a net loss causing inclusion of any potentially dilutive securities to have an anti-dilutive effect, resulting in diluted loss per common share and basic loss per common share being equivalent.

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Net loss attributable to common shareholders	$ (14,648)	$ (4,767)	$ (6,445)
Basic weighted average common shares outstanding	6,196	3,896	2,912
Potentially dilutive common shares	—	—	—
Diluted weighted average common shares outstanding	6,196	3,896	2,912
Basic weighted average loss per common share	$ (2.36)	$ (1.22)	$ (2.21)
Diluted weighted average loss per common share	$ (2.36)	$ (1.22)	$ (2.21)
Potentially dilutive common shares excluded from the calculation of diluted weighted average loss per common share:			
Common stock purchase warrants	388	1,155	577
Stock options	140	136	192
Convertible debt	—	—	709
	528	1,291	1,478

Note 8. Private Placement Transaction and Warrant Liabilities - Predecessor Company

On August 30, 2022, the Predecessor Company entered into a Securities Purchase Agreement ("SPA") with NextPlat wherein the Predecessor 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 Predecessor Company's common stock determined by dividing the stated value by the conversion price of $4.00. The Predecessor 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 Predecessor Company also entered into a Debt Modification Agreement with NextPlat. The Predecessor Company also issued placement agent warrants with substantively similar terms as the Investor Warrants. The placement agent warrants are exercisable into 380,500 shares of the Company's common stock at an exercise price per common stock share of $4.00. 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.

As the time of issuance, the Predecessor Company determined that the warrants did not meet the definition of a liability under FASB ASC Topic 480. However, they did meet the definition of a derivative under FASB ASC Topic 815 because at the time the warrants were issued, the Predecessor 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 Predecessor Company determined that the fair value of the warrants on their issuance date of August 30, 2022 was approximately $6.1 million and elected to classify the preferred stock shares and warrants as liabilities. On December 29, 2022, the Predecessor Company effected a 1-for-200 reverse stock split of our common stock. As a result of the reverse stock split, the warrants were reclassified from liabilities to equity. The Predecessor Company recorded a loss of approximately $2.4 million from the change in fair value of the derivative warrant liability on its Consolidated Statements of Operations for the year ended December 31, 2022.

The Predecessor Company's warrants were valued on the applicable dates using the Monte Carlo Simulation Model. Significant inputs into this technique at measurement dates are as follows:

	August 30, 2022 (1)	December 29, 2022 (2)
Fair market value of the Company's stock (3)	$ 4.40	$ 6.00
Exercise price	$ 4.00	$ 4.00
Stock price	$ 4.00	$ 4.00
Term (4) (in years)	5	5
Expected life (5) (in years)	5	5
Volatility	90.0%	90.0%
Risk-free interest rate (6)	3.3%	4.0%
Warrants measurement input	3.3%	4.0%

(1) Date of issuance
(2) Measurement date prior to reverse stock split
(3) The fair value of the stock was determined by using the Predecessor Company's closing stock price as reflected in the OTC Markets.
(4) The term is the contractual remaining term.
(5) The expected life is the contractual term of the warrants.
(6) The risk-free rates used for inputs represent the yields on the valuation date with periods consistent with the contractual remaining term.

During the year ended December 31, 2022, the Predecessor Company incurred a day one loss of approximately $1.0 million because the Predecessor Company had insufficient authorized common stock shares to settle the warrants.

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

On February 3, 2023, the Predecessor Company filed with the SEC a Request for Withdrawal of Registration Statement on Form S-1.

Note 9. Accounts Receivable – Trade, net

Accounts receivable – trade, net consisted of the following (in thousands):

	Successor	Predecessor
	December 31, 2023	December 31, 2022
Gross accounts receivable – trade	$ 8,611	$ 3,876
Less: allowance for credit losses	(272)	(204)
Accounts receivable – trade, net	$ 8,339	$ 3,672

The Successor Company increased the allowance for credit losses in the amount of approximately $47,000 for the six months ended December 31, 2023. The Predecessor Company increased (recovered) the allowance for credit losses in the amount of approximately $21,000 and ($3,000) for the six months ended June 30, 2023 and year ended December 31, 2022, respectively.

Changes in the allowance for credit losses were as follows (in thousands):

	Balance at Beginning of Period	Additions Charged (Credited) to Expense	Net Deductions (Recoveries)	Balance at End of Period
Year ended December 31, 2022 (Predecessor)				
Accounts receivable, allowance for credit losses	$ 207	$ (3)	$ —	$ 204
Six months ended June 30, 2023 (Predecessor)				
Accounts receivable, allowance for credit losses	$ 204	$ 21	$ —	$ 225
Six months ended December 31, 2023 (Successor)				
Accounts receivable, allowance for credit losses	$ 225	$ 47	$ —	$ 272

Note 10. Receivables - Other, net

Receivables – Other, net consisted of the following (in thousands):

	Successor	Predecessor
	December 31, 2023	December 31, 2022
Performance bonuses	$ 1,602	$ 1,224
Customers	192	—
Other	52	278
Covered entities	—	25
Vendor credits	—	503
	$ 1,846	$ 2,030

Receivables from covered entities represent the cost of inventory replenishments related to 340B contracts. Vendor credit receivables are timing differences of physical inventory returned to the vendor and the Company receiving the credit. Performance bonuses, paid annually by PBMs, are estimated based on historical pharmacy performance and prior payments received. Other receivables are loans to employees.

Note 11. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	Estimated Useful Life	Successor December 31, 2023	Predecessor December 31, 2022
Building	40 years	$ 2,116	$ 1,651
Vehicles	3 - 5 years	595	252
Furniture and equipment	5 years	388	424
Land	---	184	184
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease	76	277
Computer equipment	3 years	39	101
Construction in progress	---	22	—
Building improvements	Remaining life of the building	—	513
Total		3,420	3,402
Less: accumulated depreciation		(136)	(819)
Property and equipment, net		$ 3,284	$ 2,583

As of July 1, 2023, building, building improvements, and land were revalued at fair value as a result of the application of push-down accounting - see “Note 4. Business Combination Without Transfer of Consideration”.

Depreciation expense for the Successor Company was approximately $136,000 for the six months ended December 31, 2023. Depreciation expense for the Predecessor Company was approximately $96,000 and $142,000 for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively.

Note 12. Goodwill and Intangible Assets

Goodwill

The Company performed the required annual impairment analysis of goodwill at December 31, 2023 on its two reporting units and identified the sustained decrease in the Company's share price as a triggering event that it is more likely than not that the carrying amount of goodwill exceed its fair value. To determine the fair value of these reporting units, the Company uses a discounted cash flow model with market-based support as its valuation technique to measure the fair value for its reporting units. The discounted cash flow model uses five-to-ten-year forecasted cash flows plus a terminal value based on a multiple of earnings or by capitalizing the last period's cash flows using a perpetual growth rate. The Company's significant assumptions in the discounted cash flow models include, but are not limited to: the weighted average cost of capital ("WACC"), revenue growth rates, including perpetual revenue growth rates, corporate overhead allocations, and operating margin percentages of the reporting unit's business. The Company considered the current market conditions when determining its assumptions. The total forecasted cash flows were discounted based on a range between 11% to 13.5%, which included assumptions regarding the Company's WACC. Lastly, the Company reconciled the aggregate fair values of its reporting units to its market capitalization, which included a reasonable control premium based on market conditions. The use of estimates and the development of assumptions results in uncertainties around forecasted cash flows.

A change in any of these estimates and assumptions used in the impairment test, a degradation in the overall markets served by these reporting units, among other factors, could have a negative material impact to the fair value of the reporting units and could result in a future impairment charge. There can be no assurance that the Company's future goodwill impairment testing will not result in a charge to earnings. This impairment charge could have a negative material impact on the Company's results of operations.

As a result of the December 31, 2023 annual impairment test, the Company concluded that the carrying amount of the Pharmacy Operations reporting unit goodwill exceeded its fair value by 100% and recorded a non-cash goodwill impairment charge of approximately $13.9 million for the six months ended December 31, 2023 (Successor period). The carrying amount of the TPA reporting unit goodwill did not exceed its fair value, therefore no impairment charge was recorded for the six months ended December 31, 2023 (Successor period). The remaining carry amount of goodwill as of December 31, 2023 was approximately $0.7 million and was allocated to the TPA reporting segment.

The following table reflects changes in the carrying amount of goodwill during the periods presented by reportable segments (in thousands):

	Pharmacy Operations	Third-Party Administration	Total
Balances as of December 31, 2021 (Predecessor)			
Goodwill	$ 1,388	$ —	$ 1,388
Accumulated impairment losses	—	—	—
Goodwill, net as of December 31, 2021 (Predecessor)	1,388	—	1,388
Changes in Goodwill during the year ended December 31, 2022:			
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Balances as of December 31, 2022 (Predecessor)			
Goodwill	1,388	—	1,388
Accumulated impairment losses	—	—	—
Goodwill, net as of December 31, 2022 (Predecessor)	1,388	—	1,388
Changes in Goodwill during the six months ended June 30, 2023 (Predecessor):			
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Balances as of June 30, 2023 (Predecessor)			
Goodwill	1,388	—	1,388
Accumulated impairment losses	—	—	—
Goodwill net as of June 30, 2023 (Predecessor)	1,388	—	1,388
Changes in Goodwill during the six months ended December 31, 2023 (Successor):			
Goodwill acquired	13,895	731	14,626
Impairment losses	(13,895)	—	(13,895)
Balance as of December 31, 2023 (Successor)			
Goodwill	13,895	731	14,626
Accumulated impairment losses	(13,895)	—	(13,895)
Goodwill, net as of December 31, 2023 (Successor)	$ —	$ **731**	$ **731**

Intangible Assets

Intangible assets consisted of the following (in thousands):

	Successor			Predecessor		
	December 31, 2023			December 31, 2022		
	Gross amount	Accumulated amortization	Net Amount	Gross amount	Accumulated amortization	Net Amount
Pharmacy records	$ 8,130	$ (807)	$ 7,323	$ 263	$ (263)	$ —
Tradenames	4,700	(224)	4,476	362	(362)	—
Developed technology	2,880	(281)	2,599	—		—
Software	—	—	—	86	(4)	82
Non-compete agreements	—	—	—	166	(121)	45
Website	—	—	—	68	(68)	—
Total intangible assets	$ 15,710	$ (1,312)	$ 14,398	$ 945	$ (818)	$ 127

As of July 1, 2023, intangible assets were revalued at fair value as a result of the application of push-down accounting. See “Note 4. Business Combination Without Transfer of Consideration” for a summary of amounts recognized for each major class of asset and liabilities, after application of push-down accounting.

Amortization of intangible assets for the Successor Company was approximately $1.3 million for the six months ended December 31, 2023. Amortization of intangible assets for the Predecessor Company was approximately $24,000 and $36,000 for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively. There were no impairment charges related to intangible assets during the six months ended December 31, 2023 (Successor period), the six months ended June 30, 2023 and the year ended December 31, 2022 (Predecessor periods).

The following table represents the total estimated future amortization of intangible assets for the five succeeding years and thereafter as of December 31, 2023 (in thousands):

	Successor
Year	Amount
2024	$ 2,696
2025	2,672
2026	2,672
2027	2,672
2028	1,571
Thereafter	2,115
Total	$ 14,398

Note 13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (in thousands):

	Successor	Predecessor
	December 31, 2023	December 31, 2022
Accounts payable – trade	$ 11,256	$ 6,517
Accrued payroll and payroll taxes	167	229
Accrued PBM fees	571	501
Other accrued liabilities	164	137
Total	$ 12,158	$ 7,384

Note 14. Notes Payable

Notes payable consisted of the following (in thousands):

	Successor	Predecessor
	December 31, 2023	December 31, 2022
A. Convertible note payable and accrued interest - collateralized	$ —	$ 2,838
B. Mortgage note payable - commercial bank - collateralized	1,140	1,226
C. Note payable - uncollateralized	25	25
D. Notes payable - collateralized	90	137
Insurance premiums financing	—	70
Subtotal	1,255	4,296
Less: unamortized debt discount	—	(1,820)
Total	1,255	2,476
Less: current portion of notes payable	(145)	(227)
Long-term portion of notes payable	$ 1,110	$ 2,249

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 (Predecessor period), 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.

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 year ended December 31, 2021 (Predecessor period), the volume of sales of Conversion Shares exceeded the Volume Limitation, which resulted in an Outstanding Balance Reduction in the amount of $180,000.

On December 14, 2021 (Predecessor period), 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 (Predecessor period), 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 (Predecessor period), 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 Predecessor 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 Predecessor 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 (Predecessor period), 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 year ended December 31, 2022, the Predecessor Company recorded in earnings a change in fair value of the derivative liability in the amount of approximately $914,000. Upon the entrance into the Debt Modification Agreement with the NextPlat investors on August 30, 2022 (Predecessor period), the outstanding fair value of the derivative liability of $1,477,400 million was written off and included in gain on debt extinguishment for the year ended December 31, 2022 (Predecessor period).

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

Debt issuance costs consisted of fees incurred through securing financing from Iliad Research on March 6, 2019 (Predecessor period). Debt discount consisted of the discount recorded upon recognition of the derivative liability upon issuance of the first and second tranches. Investment length premium was calculated at a 5% premium on the outstanding balance when the note was still outstanding at (a) 18 months from the effective date, (b) 24 months from the effective date, and (c) 30 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 year ended December 31, 2022 was approximately $286,000 (Predecessor period).

NextPlat Investors

In August 2022, the Predecessor Company entered into the Modification Agreement with the NextPlat investors wherein the terms were modified for an existing Secured Convertible Promissory Note originally held by Iliad Research (the "Note") and sold to the NextPlat investors (the "NextPlat Investors Note"). The NextPlat investors purchased the Note as part of a Confidential Note Purchase and Release Agreement between Iliad Research 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 bore interest at the simple annual rate of five percent (5%) per annum.
3. The Predecessor Company was prohibited from prepaying the Note.
4. The Conversion Price for the Note was modified to a fixed price of $4.00 per share of common stock.
5. The Note provided for mandatory conversion upon the later to occur of (a) the completion of the Predecessor Company's reverse stock split, or (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 December 31, 2022, inclusive of accrued interest in the amount of approximately $47,000 at December 31, 2022 (Predecessor period). The Note is reported net of a debt discount of approximately $1.8 million at December 31, 2022 (Predecessor period).

On May 5, 2023, the Predecessor Company entered into a Debt Conversion Agreement (the "DCA") with NextPlat and the other holders (the "Holders") of the

Amended and Restated Secured Convertible Promissory Note. Pursuant to the DCA, NextPlat and the Holders agreed to modify and convert the total approximately $2.9 million of outstanding principal and accrued and unpaid interest to Common Stock at a conversion price of $2.20 per share (the "Debt Conversion") for a total of 1,312,379 shares. Additionally, the Predecessor Company issued 330,000 common stock purchase warrants to certain existing Progressive Care investors to induce them to approve the Debt Conversion (the "Inducement Warrants"). The Inducement Warrants were recorded at fair value of approximately $0.7 million as equity instruments. The Debt Conversion was recorded using inducement accounting and resulted in a total debt conversion expense of approximately $5.2 million for the six months ended June 30, 2023. Debt conversion expense consisted of debt issuance costs and debt discount of approximately $1.7 million, the fair value of the common stock purchase warrants issued of approximately $4.6 million, partially offset by the loss from inducement accounting of approximately $1.1 million.

Embedded Derivative Liability - Predecessor Company

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 $2.0 million. The Company recorded a gain of approximately $284,000 from the change in the fair value of the derivative liability in its Consolidated Statements of Operations for the year ended December 31, 2022. As a result of the common stock reverse stock split on December 29, 2022, the derivative liability was reclassified to equity.

Debt Issuance Costs and Debt Discount Associated with the NextPlat Investors Note - Predecessor Company

Debt issuance costs consisted of fees incurred from the Placement Agent and Investment Advisor associated with the NextPlat Investors Debt Modification Agreement. Debt discount consisted of the discount recorded from the issuance of approximately 105,000 shares of common stock 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. There was no amortization expense for debt issuance costs and debt discount for the six months ended December 31, 2023 (Successor period). Total amortization expense for the six months ended June 30, 2023 and the year ended December 31, 2022 were approximately $128,000 and $131,000, respectively (Predecessor period).

As a result of the Debt Conversion, the remaining balance of debt issuance costs and debt discount of approximately $1.7 million at the date of the Debt Conversion was written off and recognized as part of debt conversion expense for the six months ended June 30, 2023 on the Consolidated Statements of Operations.

(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 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.

(C) Note Payable – Uncollateralized

As of December 31, 2023 and 2022, the uncollateralized note payable represents a non-interest-bearing loan that is due on demand from an investor.

(D) Notes Payable – Collateralized

In September 2019, the Predecessor 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 approximately $85,000. The terms of the promissory note payable required 48 monthly payments of $2,015, including interest at 6.5%. The balance outstanding on the note payable was due and paid in full during the third quarter of 2023 and no balance remains as of December 31, 2023. The balance outstanding on the note payable as of December 31, 2022 was approximately $16,000 and the promissory note was secured by equipment with a net book value of approximately $16,000 as of December 31, 2022.

In April 2021, the Predecessor Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount of approximately $30,000. During 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 as of December 31, 2023 and 2022 on the note payable was approximately $6,000 and $9,000, respectively. The remaining equipment was written off during 2021.

In July 2022, the Predecessor Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount of approximately $90,000. The terms of the promissory note payable require 60 monthly payments of $1,859, including interest at 8.78% starting January 2023. The balance outstanding on the note payable was approximately $74,000 and $90,000 as of December 31, 2023 and 2022, respectively. The promissory note is secured by equipment with a net book value of approximately $71,000 and $84,000 as of December 31, 2023 and 2022, respectively.

In September 2022, the Predecessor Company entered into a note obligation with a commercial lender, the proceeds from which were used to purchase a vehicle in the amount of approximately $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 $10,000 and $22,000 as of December 31, 2023 and 2022, respectively. The promissory note is secured by the vehicle with a net book value of approximately $18,000 and $23,000 as of December 31, 2023 and 2022, respectively.

Principal outstanding as of December 31, 2023, is expected to be repaid as follows (in thousands):

Year	Successor Amount
2024	$ 145
2025	114
2026	119
2027	124
2028	753
Total	$ 1,255

Interest expense on these notes payable for the Successor Company was approximately $29,000 for the six months ended December 31, 2023. Interest expense on notes payable, exclusive of debt discount and debt issue cost amortization, for the Predecessor Company was approximately $0.1 million and $0.3 million for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively.

Note 15. 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 four 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 $22,000 and $38,000 as of December 31, 2023 and 2022, 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, of which the lease expired in November 2023. The finance lease obligation was secured by equipment.

Operating Leases

The Company entered into a lease agreement for its Orlando pharmacy in August 2020. The term of the lease is 66 months with a termination date of February 2026. The lease agreement calls for monthly payments, that began in February 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 in September 2021. The term of the lease is 60 months with a termination date in August 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 February 2025.

The Company entered into a lease agreement for pharmacy equipment in October 2022. The term of the lease is 24 months with a termination date of October 2025. The lease calls for monthly payments, that began in November 2023, of $3,250.

The Company recognized lease costs associated with all leases as follows (in thousands):

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Operating lease cost:			
Fixed rent expense	$ 93	$ 76	$ 150
Variable rent expense	20	21	42
Finance lease cost:			
Amortization of right-of-use assets	15	17	32
Interest expense	1	1	3
Total lease costs	$ 129	$ 115	$ 227

Supplemental cash flow information related to leases was as follows (in thousands):

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 83	$ 81	$ 160
Financing cash flows from finance leases	15	17	40
Total cash paid for lease liabilities	$ 98	$ 98	$ 200

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

	Successor	Predecessor
	December 31, 2023	December 31, 2022
Operating leases:		
Operating lease right-of-use assets, net	$ 427	$ 446
Operating lease liabilities:		
Current portion	170	200
Long-term portion	214	279
Weighted average remaining lease term (years)	2.24	3.11
Weighted average discount rate	4.8%	4.8%
Finance leases:		
Finance lease right-of-use assets, net	22	54
Finance lease liabilities:		
Current portion	18	34
Long-term portion	5	24
Weighted average remaining lease term (years)	1.25	1.89
Weighted average discount rate	6.0%	4.4%

Future maturities of lease liabilities as of December 31, 2023 were as follows (in thousands):

Year	Finance Lease	Operating Lease	Total Future Lease Commitments
2024	$ 20	$ 183	$ 203
2025	4	167	171
2026	—	53	53
Total lease payments to be paid	24	403	427
Less: future interest expense	(1)	(19)	(20)
Lease liabilities	23	384	407
Less: current maturities	(18)	(170)	(188)
Long-term portion of lease liabilities	$ 5	$ 214	$ 219

Note 16. Stockholders' Equity

Preferred Stock

The Company has 10,000,000 shares of preferred stock authorized. As of December 31, 2023 and 2022, 51 shares are designated as Series A Preferred Stock, par value $0.001 per share, 100,000 shares are designated as Series B Preferred Stock, par value $0.0001 per share, and 9,900,000 shares are undesignated preferred shares, par value $0.0001 per share.

Series A Preferred Stock - Predecessor Company

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.

In July 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. In October 2020, the preferred shares were transferred to a trust whose beneficiary is related to the employee. In August 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 127,564 shares of the Company's common stock. As a result of the exchange the Company recorded a preferred stock dividend associated with the transaction of approximately $541,000 during the year ended December 31, 2022.

Series B Convertible Preferred Stock - Predecessor Company

On August 30, 2022, the Company entered into a SPA with 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 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 500 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 $4.00. The Company incurred offering costs associated with the transaction of approximately $1.0 million.

The Series B Convertible Preferred Stock ranks senior to our common stock as to distribution of assets upon liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. The shares of Series B Convertible Preferred Stock shall have a liquidation preference to all other classes of stock of the Company in the amount of $2,000 per share. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of Series B Convertible Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company (i) $2,000 per share plus (ii) the same amount that a holder of common stock would receive if the Series B Convertible Preferred Stock were fully converted to common stock which amounts shall be paid *pari passu* with all holders of common stock.

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 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.

Common Stock and Common Stock Purchase Warrants

On December 29, 2022, the Predecessor Company effected a 1-for-200 reverse stock split of common stock and the number of shares of common stock authorized to issue was reduced to 100 million. All fiscal year 2022 common stock share information has been retrospectively adjusted to reflect the reverse stock split.

On May 5, 2023, the Predecessor Company entered into an SPA with NextPlat, pursuant to which NextPlat agreed to purchase 455,000 newly issued units of securities from the Predecessor Company (the "Units") at a price per Unit of $2.20 for an aggregate purchase price of $1.0 million (the "Unit Purchase"). Each Unit consists of one share of common stock, par value $0.0001 per share, of Progressive Care ("Common Stock") and one common stock purchase warrant to purchase a share of Common Stock (the "PIPE Warrants"). The PIPE Warrants have a three-year term and will be immediately exercisable. Each PIPE Warrant is exercisable at $2.20 per share of Common Stock. The Predecessor Company received cash proceeds of $880,000, net of placement agent commission of $70,000 and legal fees of $50,000. The Company accounted for the PIPE Warrants in accordance with the guidance contained in ASC 480 and were classified as equity instruments. On the date of issuance, the fair value of the PIPE Warrants was approximately $1.0 million. On July 1, 2023, NextPlat exercised the PIPE Warrants on a cashless basis and was issued 230,056 common stock shares.

Also on May 5, 2023, the Predecessor Company entered into a DCA with NextPlat and the other Holders of that certain Amended and Restated Secured Convertible Promissory Note, dated as of September 2, 2022, made by the Predecessor Company in the original face amount of approximately $2.8 million (the "Note"). Pursuant to the DCA, NextPlat and the other Holders agreed to modify and convert the total approximately $2.9 million of outstanding principal and accrued and unpaid interest to common stock at a conversion price of $2.20 per share (the "Debt Conversion"). Of the total 1,312,379 shares of common stock issued upon conversion of the Note pursuant to the DCA, NextPlat received 570,599 shares, Charles M. Fernandez, the Company's Chairman and Chief Executive Officer, received 228,240 shares, and Rodney Barreto, the Company's Vice-Chairman of the Board of Directors, received 228,240 shares. In addition, each of the Holders also received a common stock purchase warrant to purchase one share of common stock for each share of common stock they received upon conversion of the Note (the "Conversion Warrants"). The Conversion Warrants have a three-year term and will be immediately exercisable. Each Conversion Warrant is exercisable at $2.20 per share of Common Stock. The Company accounted for the Conversion Warrants in accordance with the guidance contained in ASC 480 and were classified as equity instruments. On the date of issuance, the fair value of the Conversion Warrants was approximately $2.7 million. On July 1, 2023, NextPlat and Messrs. Fernandez and Barreto exercised the Conversion Warrants. NextPlat exercised 230,000 Conversion Warrants on a cash basis and paid consideration in the amount of $506,000 and was issued 230,000 common stock shares. NextPlat exercised the remaining 340,599 Conversion Warrants on a cashless basis and was issued 172,213 common stock shares. Messrs. Fernandez and Barreto exercised the Conversion Warrants on a cashless basis and were each issued 115,402 common stock shares. As of December 31, 2023, the fair value of the remaining Conversion Warrants was approximately $0.6 million.

At the same time as the SPA and DCA, the Predecessor Company and NextPlat entered into the Debenture Purchase Agreement. Under the Debenture Purchase Agreement, the Predecessor Company agreed to issue, and NextPlat agreed to purchase, from time to time during the three-year term of the Debenture Purchase Agreement, up to an aggregate of $10.0 million of Debentures to NextPlat. Pursuant to the Amendment, NextPlat and the Predecessor Company agreed to amend the Debenture Purchase Agreement and the form of Debenture to have a conversion price of $2.20 per share. As of December 31, 2023, no Debentures have been purchased by NextPlat under the Debenture Purchase Agreement.

Dawson James Securities, Inc. (the "Placement Agent") served as placement agent for the Unit Purchase. In consideration for the Placement Agent's services, the Predecessor Company issued to the Placement Agent and its affiliates warrants to purchase 91,000 shares of Common Stock (the "Placement Agent Warrants"). The Placement Agent Warrants have a five-year term and will be exercisable in December 2023. Each Placement Agent Warrant is exercisable at $2.20 per share of Common Stock. The Company accounted for the Placement Agent Warrants in accordance with the guidance contained in ASC 480 and were classified as equity instruments. On the date of issuance, the fair value of the Placement Agent Warrants was approximately $0.2 million.

In addition, the Predecessor Company issued 330,000 warrants to certain existing Progressive Care investors to induce them to approve the transaction contemplated by the SPA (the "Inducement Warrants"). Charles M. Fernandez and Rodney Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. The Inducement Warrants have a three-year term and will be immediately exercisable. Each Inducement Warrant is exercisable at $2.20 per share of Common Stock. The Company accounted for the Inducement Warrants in accordance with the guidance contained in ASC 480 and were classified as equity instruments. On the date of issuance, the fair value of the Inducement Warrants was approximately $0.7 million. On July 1, 2023, Messrs. Fernandez and Barreto exercised the Inducement Warrants on a cashless basis and were issued 96,068 and 15,169 common stock shares, respectively. As of December 31, 2023, the fair value of the remaining Inducement Warrants was approximately $0.2 million.

Note 17. Stock-Based Compensation

Stock-based compensation is recorded in selling, general, and administrative expenses in the Consolidated Statement of Operations. The Successor Company recorded total stock-based compensation expense of approximately $1.4 million for the six months ended December 31, 2023, relating to shares of common stock issued and accelerated vesting of stock options to directors for services provided. The Predecessor Company recorded total stock-based compensation expense of approximately $0.3 million and $1.9 million for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively, relating to shares of common stock issued to directors for services provided. There were no income tax benefits recognized from stock-based compensation during the respective periods due to cumulative losses and valuation allowances.

Stock Award Plan

The Company maintains stock incentive plans to attract, motivate, and retain management, key employees, directors, and consultants. These plans provide for discretionary awards in the form of either restricted stock units ("RSUs") or stock options.

Restricted Stock Units

During the six months ended December 31, 2023, the Successor Company granted 60,438 RSUs as stock-based compensation. During the six months ended June 30, 2023 and the year ended December 31, 2022, the Predecessor Company granted 73,214 and 249,907, respectively, RSUs as stock-based compensation. The fair value of the RSUs equaled the stock price at the grant date and the RSUs vested upon issuance.

Stock Options

The following table summarizes our stock options activity (in thousands, except for weighted average exercise price and weighted average remaining contractual life):

	Number Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Balance outstanding at January 1, 2022 (Predecessor)	—	$ —	$ —	—
Granted	322	$ 2.65	$ 5.93	9.44
Exercised	—	$ —	$ —	—
Forfeited	—	$ —	$ —	—
Cancelled	—	$ —	$ —	—
Balance outstanding at December 31, 2022 (Predecessor)	322	$ 2.65	$ 5.93	9.44
Granted	—	$ —	$ —	—
Exercised	—	$ —	$ —	—
Forfeited	—	$ —	$ —	—
Cancelled	—	$ —	$ —	—
Balance outstanding at June 30, 2023 (Predecessor)	322	$ 2.65	$ 5.93	8.94
Balance outstanding at July 1, 2023 (Successor)	322	$ 2.65	$ 5.93	8.94
Granted	—	$ —	$ —	—
Exercised	—	$ —	$ —	—
Forfeited	—	$ —	$ —	—
Cancelled	—	$ —	$ —	—
Balance outstanding at December 31, 2023 (Successor)	322	$ 2.65	$ 5.93	8.44
Options exercisable at December 31, 2023	322	$ 2.65	$ 5.93	8.44

As a result of the change in control on July 1, 2023, 188,643 stock options accelerated vesting and approximately $1.1 million was recognized as stock-based compensation. There was no unrecognized compensation cost related to nonvested stock options granted as all stock options granted were fully vested as of December 31, 2023.

The fair value of option awards was estimated on the date of grant using the Monte Carlo simulation model. 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 during 2022 was determined using the following weighted-average assumptions as of grant date.

Risk-free interest rate	3.5%
Expected term (in years)	10
Expected stock price volatility	120%
Dividend yield	0%

Note 18. Income Taxes

Income tax provision consisted of the following (in thousands):

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Current:			
Federal	$ —	$ —	$ —
State	—	—	—
Total current	—	—	—
Deferred:			
Federal	—	—	—
State	—	—	1
Total deferred	—	—	1
Total income tax provision	$ —	$ —	$ 1

The following is a reconciliation of the federal income tax expense at the statutory rate of 21% for the periods presented to the effective income tax expense (in thousands):

	Successor	Predecessor	
	Six Months Ended December 31, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Federal income tax provision (benefit) at statutory rate	$ (3,076)	$ (1,001)	$ (1,240)
Permanent differences	2,855	1,135	(374)
Net operating loss deduction	(310)	—	—
Provision true-up adjustments	(488)	(753)	—
Change in valuation allowance	1,139	607	1,615
Other	(120)	12	—
Income tax provision	$ —	$ —	$ 1

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset is as follows:

	Successor	Predecessor
	December 31, 2023	December 31, 2022
Deferred tax assets:		
Net operating loss carryforward	$ 3,580	$ 3,315
Property and equipment and intangible assets	155	44
Other tax carry-overs	613	—
Stock-based compensation	893	569
Reserves and allowances	85	38
Total deferred tax assets	5,326	3,966
Deferred tax liabilities:		
Book basis of intangible assets in excess of tax basis	3,650	54
Total deferred tax liabilities	3,650	54
Net deferred tax asset before valuation allowance	1,676	3,912
Less: valuation allowance	(1,676)	(3,912)
Net deferred tax asset	$ —	$ —

The net operating loss carryforward decreased from approximately $14.4 million at December 31, 2022 to $14.1 million at December 31, 2023. After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2023 and 2022, due to the uncertainty of realizing the deferred income tax assets. The change in the valuation allowance for 2023 was an increase of approximately $1.7 million, exclusive of the approximate $4.0 million reversal of the valuation allowance attributable to the business combination. Out of the approximately $13.8 million net operating losses carry forward, approximately $2.8 million will begin to expire in 2032 and approximately $11.0 million will have an indefinite life.

Note 19. Reportable Segments

The Company has two reportable segments: (i) Pharmacy Operations, which provides prescription pharmaceuticals, compounded medications, tele-pharmacy services, COVID-19 related diagnostics and vaccinations, anti-retroviral medications, medication therapy management, the supply of prescription medications to long-term care facilities, medication adherence packaging, and contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program and (ii) Third-Party Administration, which provides data management and reporting services to support health care organizations. Operating expenses are reflected in the segment in which the costs are incurred.

Corporate includes certain assets and expenses related to corporate functions that are not specifically attributable to an individual reportable segment, such as legal, public company expenses, tax compliance and senior executive staff.

The Company evaluates the performance of each of the segments based on income (loss) from operations. While the Company believes there are synergies between the two business segments, the segments are managed separately because each requires different business strategies.

The accounting policies used to determine the results of the operating segments are the same as those utilized for the Consolidated Financial Statements as a whole. There are no inter-segment sales or transfers.

The following tables present a summary of income (loss) from operations of the reportable segments (in thousands):

	Successor			
	Six Months Ended December 31, 2023			
	Pharmacy Operations	Third-Party Administration	Corporate	Total Consolidated
Sales of products, net	$ 21,412	$ —	$ —	$ 21,412
Revenues from services	4,145	1,222	—	5,367
Revenues, net	25,557	1,222	—	26,779
Costs of products	18,191	—	—	18,191
Costs of services	—	132	—	132
Costs of revenue	18,191	132	—	18,323
Gross profit	7,366	1,090	—	8,456
Operating expenses:				
Salaries and wages	3,551	71	351	3,973
Professional fees	2	121	383	506
Depreciation and amortization	1,165	290	8	1,463
Selling, general, and administrative	1,383	17	1,877	3,277
Goodwill impairment	13,895	—	—	13,895
Total operating expenses	19,996	499	2,619	23,114
Income (loss) from operations	(12,630)	591	(2,619)	(14,658)
Other (expense) income	(33)	—	43	10
(Loss) income before income taxes	(12,663)	591	(2,576)	(14,648)
Provision for income taxes	—	—	—	—
Net (loss) income	$ (12,663)	$ 591	$ (2,576)	$ (14,648)

	Predecessor			
	Six Months Ended June 30, 2023			
	Pharmacy Operations	Third-Party Administration	Corporate	Total Consolidated
Sales of products, net	$ 19,193	$ —	$ —	$ 19,193
Revenues from services	2,558	1,197	—	3,755
Revenues, net	21,751	1,197	—	22,948
Costs of products	16,132	—	—	16,132
Costs of services	—	110	—	110
Costs of revenue	16,132	110	—	16,242
Gross profit	5,619	1,087	—	6,706
Operating expenses:				
Salaries and wages	2,972	52	276	3,300
Professional fees	389	156	503	1,048
Depreciation and amortization	123	9	5	137
Selling, general, and administrative	1,226	8	348	1,582
Total operating expenses	4,710	225	1,132	6,067
Income (loss) from operations	909	862	(1,132)	639
Other expense	(27)	—	(5,379)	(5,406)
Income (loss) before income taxes	882	862	(6,511)	(4,767)
Provision for income taxes	—	—	—	—
Net income (loss)	$ 882	$ 862	$ (6,511)	$ (4,767)

	Predecessor			
	Year Ended December 31, 2022			
	Pharmacy Operations	Third-Party Administration	Corporate	Total Consolidated
Sales of products, net	$ 36,608	$ —	$ —	$ 36,608
Revenues from services	2,869	1,125	—	3,994
Revenues, net	39,477	1,125	—	40,602
Costs of products	30,656	—	—	30,656
Costs of services	—	243	—	243
Costs of revenue	30,656	243	—	30,899
Gross profit	8,821	882	—	9,703
Operating expenses:				
Salaries and wages	4,712	44	1,087	5,843
Professional fees	384	131	688	1,203
Depreciation and amortization	205	4	—	209
Selling, general, and administrative	2,967	18	2,042	5,027
Total operating expenses	8,268	197	3,817	12,282
Income (loss) from operations	553	685	(3,817)	(2,579)
Other income (expense)	2,106	—	(5,430)	(3,324)
Income (loss) before income taxes	2,659	685	(9,247)	(5,903)
Provision for income taxes	(1)	—	—	(1)
Net income (loss)	$ 2,658	$ 685	$ (9,247)	$ (5,904)

Total assets by segment were as follows (in thousands):

	Pharmacy Operations	Third-Party Administration	Corporate	Eliminations (1)	Total Consolidated
Total Assets as of December 31, 2023 (Successor)	$ 38,516	$ 4,573	$ 69	$ (2,774)	$ 40,384
Total Assets as of December 31, 2022 (Predecessor)	$ 14,582	$ 2,057	$ 4,150	$ (2,774)	$ 18,015

(1) Eliminations consist of investments in subsidiaries between the Pharmacy Operations segment and Corporate.

Capital expenditures for the Pharmacy Operations reporting segment were approximately $0.5 million for the six months ended December 31, 2023 (Successor period). Capital expenditures for the Pharmacy Operations reporting segment were approximately $0.2 million for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively (Predecessor period). There were no capital expenditures for the TPA reporting segment during the six months ended December 31, 2023 (Successor period), the six months ended June 30, 2023 and the year ended December 31, 2022 (Predecessor periods).

Note 20. Commitments and Contingencies

Legal Matters

On May 3, 2022, a complaint was filed by the Plaintiff Positive Health Alliance, Inc. ("PHA") against Pharmco LLC 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. 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 13 installment payments. The complaint was dismissed with prejudice on July 8, 2022. The last installment payment was paid during the third quarter of 2023 and no balance remained outstanding as of December 31, 2023. The balance outstanding was approximately $280,000 as of December 31, 2022 (recorded in Accounts payable and accrued liabilities).

Note 21. Related Party Transactions

Successor Company

During the six months ended December 31, 2023, the Successor Company paid approximately $0.1 million to NextPlat as management fees in accordance with the amended Management Services Agreement (the "Management Agreement") dated May 1, 2023.

On July 1, 2023, NextPlat, Charles M. Fernandez, and Rodney Barreto exercised common stock purchase warrants and were issued common stock shares by the Company. NextPlat exercised common stock purchase warrants on a cashless basis and was issued 402,269 common stock shares. NextPlat also exercised common stock purchase warrants on a cash basis and paid consideration in the amount of $506,000 and was issued 230,000 common stock shares. Mr. Fernandez exercised common stock purchase warrants on a cashless basis and was issued 211,470 common stock shares. Mr. Barreto exercised common stock purchase warrants on a cashless basis and was issued 130,571 common stock shares.

Predecessor Company

On August 30, 2022, NextPlat, Charles M. Fernandez, Rodney Barreto, and certain other purchasers purchased from Iliad Research a Secured Convertible Promissory Note, dated March 6, 2019, made by the Predecessor Company to Iliad (the "Note"). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately $2.8 million. In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with the Predecessor Company. In consideration of the concessions in the Debt Modification Agreement, the Predecessor Company issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, Messrs. Fernandez and Barreto, received 45,653, 18,261, and 18,261 shares, respectively.

On February 1, 2023, the Predecessor Company entered into the Management Agreement with NextPlat Corp to provide certain management and administrative services to the Predecessor Company for $25,000 per month fee. On May 1, 2023, the Management Agreement was amended to update the fee to $20,000 per month. During the six months ended June 30, 2023, the Predecessor Company paid approximately $0.1 million to NextPlat as management fees.

On May 5, 2023, the Predecessor Company entered into an SPA with NextPlat, pursuant to which NextPlat agreed to purchase 455,000 newly issued Units of securities from the Predecessor Company at a price per Unit of $2.20 for an aggregate purchase price of $1.0 million (the "Unit Purchase"). Each Unit consists of one share of common stock, par value $0.0001 per share, and one common stock purchase warrant to purchase a share of common stock (the "PIPE Warrants").

On May 9, 2023, pursuant to the DCA, NextPlat received 570,599 shares, Charles M. Fernandez received 228,240 shares, and Rodney Barreto received 228,240 shares. To induce the approval of the debt conversion pursuant to the DCA, Messrs. Fernandez and Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. In addition, NextPlat and Messrs. Fernandez and Barreto also received a common stock purchase warrant to purchase one share of Common Stock for each share of Common Stock they received upon conversion of the Note.

Note 22. 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. There were no matching contributions for the six months ended December 31, 2023, the six months ended June 30, 2023, and the year ended December 31, 2022.

Exhibit 4.7

DESCRIPTION OF SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following description of registered Securities of Progressive Care Inc. ("us," "our," "we" or the "Company") is intended as a summary only and therefore is not a complete description of our capital stock. This description is based upon, and is qualified by reference to, our amended and restated certificate of incorporation and our amended and restated bylaws and applicable provisions of the Delaware General Corporate Law (the "DGCL"). We encourage you to read our amended and restated certificate of incorporation, our amended and restated bylaws which are incorporate by reference as Exhibits 3.1 and 3.8 to the Annual Report on Form 10-K of which this Exhibit 4.7 is a part, for the provisions that are important to you.

Capitalization

Our authorized capital stock consists of One Hundred Million (100,000,000) shares of common stock, par value $0.0001 per share, and Ten Million (10,000,000) shares of Preferred Stock. Of the 10,000,000 shares of Preferred Stock that the Company is authorized to issue, (i) Fifty-One (51) shares are designated as Series A Preferred Stock, par value $0.0001 per share and (ii) One Hundred Thousand (100,000) shares are designated as Series B Preferred Stock, par value $0.0001 per share.

Common Stock

Dividend Rights

We have not paid any cash dividends to our shareholders. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

The holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, dividends payable in cash, stock or otherwise. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, our net assets shall be distributed pro rata to the holders of the common stock in accordance with their respective rights and interest.

Voting Rights

The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Holders of Common Stock do not have cumulative voting rights. The holders of Common Stock are entitled to dividends if declared by the Board of Directors. There are no redemption or sinking fund provisions applicable to the Common Stock, and holders of common stock are not entitled to any preemptive rights with respect to additional issuances of Common Stock by the Company.

Other Rights and Preferences

Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to and may be adversely affected by the rights of the holders of our Series A Preferred Stock and Series B Preferred Stock and shares of any series of our preferred stock that we may designate and issue in the future.

Preferred Stock

We are authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed. If the approval of our stockholders is not required for the issuance of shares of our preferred stock, our board may determine not to seek stockholder approval. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Right to Receive Liquidation Distributions

The Series A Super-Voting preferred stock ranks senior to our Common Stock as to distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. Upon the occurrence of a Liquidation Event (as defined in our certificate of incorporation, as amended), the holders of Series A Super-Voting Preferred Stock are entitled to receive net assets on a pro rata basis.

Series A Preferred Stock

Maturity

Subject to the redemption and conversion rights described below, shares of Series A Preferred Stock are perpetual securities.

Dividends

There will be no dividends due or payable on the Series A Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Company's Certificate of Incorporation.

Voting Rights

The Series A Preferred Stock shall vote as a single class with the shares of Common Stock. Each share of Series A Preferred Stock shall have the 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.

Consent Rights

So long as any shares of Series A Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then-outstanding shares of Series A Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend the Certificate of Designation, (b) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the holders, (c) increase the number of authorized shares of Series A Preferred Stock, or (d) enter into any agreement with respect to any of the foregoing.

Right to Receive Liquidation Distributions

Upon the occurrence of a liquidation event, the holders of Series A Preferred Stock are entitled to receive net assets on a pro rata basis. Each holder of Series A Preferred Stock is entitled to receive ratably any dividends declared by the Board, if any, out of funds legally available for the payment of dividends.

Conversion Rights

No conversion of the Series A Preferred Stock is permitted.

Series B Convertible Preferred Stock

Maturity

Subject to the redemption and conversion rights described below, shares of Series B Convertible Preferred Stock are perpetual securities.

Dividends

In addition to stock dividends or distributions for which adjustments are to be made pursuant to Certain Adjustments, holders of Series B Convertible Preferred Stock shall be entitled to receive, and the Company shall pay, as and when declared by the Board of Directors of the Company out of the assets of the Company properly applicable to the payment of dividends, dividends paid on Common Stock with each share of Series B Convertible Preferred Stock treated on an as-converted basis. Dividends will be prorated for stub periods. The Company shall not pay any dividends on the Common Stock unless the Company simultaneously complies with this dividend policy.

Voting Rights

The Series B Convertible Preferred Stock shall vote as a single class with the shares of Common Stock. Each share of Series B Convertible Preferred Stock shall have the voting rights equivalent to 100,000 shares of Common Stock (subject to adjustment for any stock split, reverse split, recapitalization or reorganization).

Consent Rights

So long as any shares of Series B Convertible Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then-outstanding shares of Series B Convertible Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series B Convertible Preferred Stock or alter or amend the Certificate of Designation, (b) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the holders, (c) increase the number of authorized shares of Series B Convertible Preferred Stock, or (d) enter into any agreement with respect to any of the foregoing.

Right to Receive Liquidation Distributions

The Series B Convertible Preferred Stock ranks senior to our common stock as to distribution of assets upon liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. The shares of Series B Convertible Preferred Stock shall have a liquidation preference to all other class of stock of the Company in the amount of $2,000 per share. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of Series B Convertible Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company (i) $2,000 per share plus (ii) the same amount that a holder of common stock would receive if the Series B Convertible Preferred Stock were fully converted to common stock which amounts shall be paid *pari passu* with all holders of common stock.

Conversion Rights

Each share of Series B Convertible Preferred Stock shall be convertible, at any time and from time to time from and after the Original Issue Date at the option of the holder thereof, into that number of shares of Common Stock determined by dividing the State Value of such share of Series B Convertible Preferred Stock by the Conversion Price. The Conversion Price for the Series B Convertible Preferred Stock shall equal $0.02, subject to Certain Adjustments, such as those in connection with a Fundamental Transaction or Subsequent Rights Offering, among others.

Anti-Takeover Provisions

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids.

Delaware Law

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date on which the person became an interested stockholder unless:

- prior to the date of the transaction, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (i) shares owned by persons who are directors and also officers and (ii) shares owned by employee stock;
- plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale or other transaction or series of transactions together resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that DGCL Section 203 may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Our Charter Documents

Our charter documents include provisions that may have the effect of discouraging, delaying or preventing a change in control or an unsolicited acquisition proposal that a stockholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by our stockholders. Certain of these provisions are summarized in the following paragraphs.

Effects of authorized but unissued common stock. One of the effects of the existence of authorized but unissued common stock may be to enable our board of directors to make more difficult or to discourage an attempt to obtain control of our Company by means of a merger, tender offer, proxy contest or otherwise, and thereby to protect the continuity of management. If, in the due exercise of its fiduciary obligations, the board of directors were to determine that a takeover proposal was not in our best interest, such shares could be issued by the board of directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover transaction by diluting the voting or other rights of the proposed acquirer or insurgent stockholder group, by putting a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise.

Cumulative Voting. Our Certificate of Incorporation, as amended, does not provide for cumulative voting in the election of directors, which would allow holders of less than a majority of the stock to elect some directors.

Issuance of Undesignated Preferred Stock. Our board of directors has the authority, without further action by the stockholders, to issue up to 9,900,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is ClearTrust, LLC.

Exhibit 21.1

List of subsidiaries of Progressive Care Inc.

Name of Subsidiary	State of Organization
Pharmco, LLC (doing business as Pharmcorx and Pharmcorx LTC)	Florida
Touchpoint RX, LLC (doing business as Pharmco Rx 1002, LLC)	Florida
Family Physicians RX, Inc. (doing business as PharmcoRx 1103 and Pharmcorx 1204)	Florida
ClearMetrX, Inc.	Florida

Exhibit 31.1

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 report on Form 10-K 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: April 10, 2024

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

Exhibit 31.2

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 report on Form 10-K 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: April 10, 2024

/s/ Cecile Munnik

Cecile Munnik
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 Annual Report of Progressive Care Inc. ("Progressive Care") on Form 10-K for the year ended December 31, 2023, 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: April 10, 2024

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

Exhibit 32.2

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 Annual Report of Progressive Care Inc. ("Progressive Care") on Form 10-K for the year ended December 31, 2023, 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: April 10, 2024

/s/ Cecile Munnik

Cecile Munnik
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 97

Progressive Care, Inc. Compensation Recovery Policy

1. Purpose. The purpose of this Compensation Recovery Policy of the Company (as amended from time to time, the "Policy"), dated as of November 30, 2023 to describe the circumstances in which current and former Executive Officers will be required to repay or return Erroneously Awarded Compensation to members of the Company Group. The Company has adopted this Policy to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified by Section 10D of the Exchange Act, Exchange Act Rule 10D-1 promulgated thereunder, and the rules and requirements of Nasdaq (including Nasdaq Listing Rule 5608) (such legal requirements, and rules and requirements of Nasdaq, collectively, the "SEC/Nasdaq Clawback Rules"). Each Executive Officer shall be required to sign and return to the Company the form of acknowledgment to this Policy in the form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms and comply with this Policy.

2. Administration. This Policy shall be administered by the Committee. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy, and any such determinations made by the Committee shall be in the Committee's sole discretion and shall be final and binding on all affected individuals. Except as otherwise required by applicable legal requirements or the rules and requirements of Nasdaq, any determinations of the Committee hereunder need not be uniform with respect to one or more Executive Officers (whether current and/or former).

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below:

(a) "Accounting Restatement" shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements (a "Big R" restatement) that is material to the previously issued financial statements, or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Clawback Eligible Incentive Compensation" shall mean all Incentive-Based Compensation Received by any current or former Executive Officer on or after the Nasdaq Effective Date, provided that:

(i) such Incentive-Based Compensation is Received after such individual began serving as an Executive Officer;

(ii) such individual served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation;

(iii) such Incentive-Based Compensation is Received while the Company has a class of securities listed on Nasdaq; and

(iv) such Incentive-Based Compensation is Received during the applicable Clawback Period.

(d) "Clawback Period" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(e) "Committee" shall mean the Compensation Committee of the Board.

(f) "Common Stock" shall mean the common stock, par value $0.0001 per share, of the Company.

(g) "Company" shall mean Progressive Care, Inc., a Delaware corporation.

(h) "Company Group" shall mean the Company, together with each of its direct and indirect subsidiaries.

(i) "Erroneously Awarded Compensation" shall mean, with respect to any current or former Executive Officer in connection with any Accounting Restatement, the amount of Clawback Eligible Incentive Compensation Received by such current or former Executive Officer that exceeds the amount of Clawback Eligible Incentive Compensation that otherwise would have been Received by such current or former Executive Officer had such Clawback Eligible Incentive Compensation been determined based on the restated amounts as reflected in connection with such Accounting Restatement, taking into account any discretion that the Committee had applied to determine the amount of Clawback Eligible Incentive Compensation originally Received and computed without regard to any taxes paid.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Executive Officer" shall mean any officer as defined in Rule 10D-1(d) (or any successor provision thereof) under the Exchange Act.

(l) "Financial Reporting Measures" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any other measures that are derived wholly or in part from such measures. For purposes of this Policy, stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

(m) "Incentive-Based Compensation" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(n) "Nasdaq" shall mean the Nasdaq Stock Market.

(o) "Nasdaq Effective Date" shall mean October 2, 2023 (which is the effective date of the final Nasdaq listing standards).

(p) "Received" shall mean when Incentive-Based Compensation is received, and Incentive-Based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(q) "Restatement Date" shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

(r) "SEC" shall mean the U.S. Securities and Exchange Commission.

4. Recovery of Erroneously Awarded Compensation.

(a) In the event that the Company is required to prepare an Accounting Restatement, (i) the Committee shall determine the amount of any Erroneously Awarded Compensation for each applicable current or former Executive Officer (whether or not such individual is serving as an Executive Officer at such time) (the "Applicable Executives") in connection with such Accounting Restatement, and (ii) the Company will reasonably promptly require the recovery of such Erroneously Awarded Compensation from any such Applicable Executive, and any such Applicable Executive shall surrender such Erroneously Awarded Compensation to the Company, at such time(s), and via such method(s), as determined by the Committee in accordance with the terms of this Policy.

(b) For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, (i) such amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received, and (ii) the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

(c) The Committee shall determine, in its sole discretion, the method(s) for recovering any Erroneously Awarded Compensation from any Applicable Executive, which may include one or more of the following:

(i) requiring one or more cash payments to the Company Group from such Applicable Executive, including, but not limited to, the repayment of cash Incentive-Based Compensation previously paid by the Company Group to such Applicable Executive;

(ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards previously made by the Company to such Applicable Executive and/or, subject to applicable legal requirements, otherwise requiring the delivery to the Company of shares of Common Stock held by such Applicable Executive;

(iii) withholding, reducing or eliminating future cash compensation (including cash incentive payments), future equity awards and/or other benefits or amounts otherwise to be paid or awarded by the Company Group to such Applicable Executive;

(iv) offsetting amounts against compensation or other amounts otherwise payable by the Company Group to any Applicable Executive;

(v) cancelling, adjusting or offsetting against some or all outstanding vested or unvested equity awards of the Company held by such Applicable Executive; and/or

(vi) taking any other remedial and recovery actions with respect to such Applicable Executive permitted by applicable legal requirements and the rules and regulations of Nasdaq, as determined by the Committee.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to recover Erroneously Awarded Compensation from any Applicable Executive pursuant to the terms of this Policy if both (1) the Committee determines that such recovery would be impracticable, and (2) any of the following conditions is met:

(i) the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered, provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement pursuant to this clause (i), the Company has (x) made a reasonable attempt to recover such Erroneously Awarded Compensation, (y) documented such reasonable attempt(s) to recover, and (z) provided such documentation to Nasdaq;

(ii) recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, has provided copy of the opinion is provided to Nasdaq; or

(iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. No Indemnification, Etc. The Company Group shall not (x) indemnify any current or former Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy, or (y) pay or reimburse any current or former Executive Officers for insurance premiums to recover losses incurred under this Policy.

6. Supersedure. This Policy will supersede any provisions in (x) any agreement, plan or other arrangement applicable to any member of the Company Group, and (y) any organizational documents of any entity that is part of Company Group that, in any such case, (a) exempt any Incentive-Based Compensation from the application of this Policy, (b) waive or otherwise prohibit or restricts the Company Group's right to recover any Erroneously Awarded Compensation, including, without limitation, in connection with exercising any right of setoff as provided herein, and/or (c) require or provide for indemnification to the extent that such indemnification is prohibited under Section 5 above.

7. Amendment; Termination; Interpretation. The Committee may amend or terminate this Policy at any time, subject to compliance with all applicable legal requirements and the rules and requirements of Nasdaq. It is intended that this Policy be interpreted in a manner that is consistent with the SEC/Nasdaq Clawback Rules. This Policy is separate from, and in addition to, any other compensation recovery or recoupment policy of the Company or any applicable provisions of plans, agreements, awards or other arrangements of the Company that provide for the recoupment or recovery of compensation from Executive Officers that is voluntarily adopted by the Company and intended to provide for discretionary recoupment beyond the scope of this Policy and the SEC/Nasdaq Clawback Rules.

8. Other Recoupment Rights; No Additional Payments.

(a) Subject to Section 8(b) of this Policy below, any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group pursuant to (i) the terms of any recoupment provisions in any employment agreement, incentive or equity compensation plan or award or other agreement, (ii) any other legal requirements, including, but not limited to, Section 304 of Sarbanes-Oxley Act of 2002, and (iii) any other legal rights or remedies available to the Company.

(b) Notwithstanding anything herein to the contrary, to prevent duplicative recovery:

(i) to the extent that the amount of any Erroneously Awarded Compensation is recovered from any current or former Executive Officers under this Policy, the Company will not be entitled to recover any such amounts under any other compensation recovery or recoupment policy of the Company or any applicable provisions of plans, agreements, awards or other arrangements of the Company that provide for the recoupment or recovery of compensation from Executive Officers; and

(ii) to the extent that any Erroneously Awarded Compensation includes any amounts that have been actually reimbursed to the Company Group from any Applicable Executive pursuant to Section 304 of the Sarbanes-Oxley Act (any such amounts that have been reimbursed to the Company Group, the "Applicable SOX Recoupment Amount"), the amount of any Erroneously Awarded Compensation to be recovered from any such Applicable Executive shall be reduced by the Applicable SOX Recoupment Amount.

9. Successors. This Policy shall be binding and enforceable against all current and former Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A

Form of Acknowledgement

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Progressive Care, Inc. Compensation Recovery Policy (such policy, as amended from time to time, the "Policy"). Capitalized terms used but not otherwise defined in this acknowledgement shall have the meanings ascribed to such terms in the Policy.

By signing this acknowledgement, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company group to the extent required by the Policy.

Signature

Print Name

Date