

Progressive Care Inc.
Form 10-Q/A
April 01, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

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

Commission file number: 000-52684

Progressive Care Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

1111 Park Center Blvd., Suite 202, Miami Gardens, FL 33169
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
1-786-657-2060

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

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

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

Large accelerated filer

Accelerated filer

Edgar Filing: Progressive Care Inc. - Form 10-Q/A

Non-Accelerated filer
 Smaller reporting company x
(Do not check if a smaller reporting company)

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

As of May 10, 2012, the Registrant had 36,574,712 shares of common stock outstanding.

PROGRESSIVE CARE INC.

FORM 10-Q/A

TABLE OF CONTENTS

		Page
	PART I.—FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Balance Sheets	2
	Consolidated Statements of Operations - unaudited	3
	Consolidated Statement of Cash Flows –unaudited	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management’s Discussion and Analysis of Financial Conditions and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures About Market Risks	23
Item 4.	Controls and Procedures	23
	PART II—OTHER INFORMATION	
Item 1.	Legal Proceedings	24
Item 1A.	Risk Factors	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	24
Item 4.	Mine Safety Disclosures	24
Item 5.	Other Information	24
Item 6.	Exhibits	24
SIGNATURE		25

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-Q/A to amend and restate in their entirety the following items of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 as originally filed with the Securities and Exchange Commission (the “SEC”) on May 21, 2012 (the “Original Form 10-Q”): (i) Item 1 of Part I “Financial Information,” and (ii) Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” (iii) Item 4 of Part I, “Controls and Procedures.” We have also updated the signature page, the certifications of our Chief Executive Officer and Chief Financial Officer in Exhibits 31.1, 31.2, 32.1 and 32.2, and our financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibits 101. No other sections were affected, but for the convenience of the reader, this report on Form 10-Q/A restates in its entirety, as amended, our Original Form 10-Q. This report on Form 10-Q/A is presented as of the filing date of the Original Form 10-Q and does not reflect events occurring after that date, or modify or update disclosures in any way other than as required to reflect the restatement described below.

We have determined that our previously reported results for the quarter ended March 31, 2012 incorrectly accounted for the reverse merger on October 21, 2010 between Progressive Care Inc (the legal acquirer) and Pharmco, LLC (the accounting acquirer), which is being treated herein as a reverse recapitalization. See Note 1 to the financial statements.

PART I.—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Progressive Care, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2012 (As Restated) (Unaudited)	December 31, 2011
Assets		
Current Assets		
Cash	\$ 19,118	\$ 88,874
Accounts receivable - net	1,169,390	1,006,835
Inventory	242,309	248,678
Prepays	25,267	21,741
Total Current Assets	1,456,084	1,366,128
Property and equipment - net	298,092	276,795
Other Assets		
Intangibles - net	5,650	-
Deposits	43,746	44,741
Debt issue costs - net	20,302	22,259
Deferred tax assets - net	154,736	167,613
Total Other Assets	224,434	234,613
Total Assets	\$ 1,978,610	\$ 1,877,536
Liabilities and Stockholders' Equity		
Current Liabilities		
Cash overdraft	\$ 20,754	\$ 71,380
Accounts payable and accrued liabilities	510,298	248,785
Deferred rent payable	24,961	17,535
Income taxes payable	12,616	43,344
Notes payable	130,509	87,767
Notes payable - related parties	88,329	73,329
Accrued interest payable - related party	26,195	24,732
Deferred tax liabilities - net	26,488	43,599
Total Current Liabilities	840,150	610,471
Convertible note payable	150,000	150,000
Total Liabilities	990,150	760,471

Edgar Filing: Progressive Care Inc. - Form 10-Q/A

Stockholders' Equity		
Common stock, par value \$0.0001; 100,000,000 shares authorized 36,373,634 and 36,348,830 issued and outstanding, respectively	3,638	3,635
Additional paid in capital	(256,384)	(267,831)
Retained Earnings	1,241,206	1,381,261
Total Stockholders' Equity	988,460	1,117,065
Total Liabilities and Stockholders' Equity	\$ 1,978,610	\$ 1,877,536

See accompanying notes to financial statements

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

	Three Months Ended March 31,	
	2012	2011
	(As Restated)	(As Restated)
Sales - net	\$ 2,427,528	\$ 1,872,619
Cost of sales	1,845,462	951,201
Gross profit	582,066	921,418
Selling, general and administrative expenses	749,587	894,790
Income (loss) from operations	(167,521)	26,628
Other income (expense)		
Gain on forgiveness of accrued interest - former related party	-	12,585
Interest expense	(7,496)	(11,033)
Total other income (expense) - net	(7,496)	1,552
Income (loss) before provision for income taxes	(175,017)	28,180
Provision for income tax		
Current income tax benefit (expense)	30,728	(31,114)
Deferred income tax benefit (expense)	4,234	(12,498)
Total income tax benefit (expense)	34,962	(43,612)
Net loss	\$ (140,055)	\$ (15,432)
Basic and diluted net loss per common share	(0.00)	(0.00)
Weighted average number of common shares outstanding during the period - basic and diluted	36,358,665	34,022,056

See accompanying notes to financial statements

Progressive Care, Inc. and Subsidiary
Consolidated Statement of Stockholders' Equity
Period Ended March 31, 2012

	Common Stock \$0.0001 Par Value		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2010	33,562,000	\$ 3,356	\$ (1,320,279)	\$ 1,635,538	\$ 318,615
Issuance of common stock for services rendered	302,261	30	83,213	-	83,243
Issuance of common stock for services rendered - related parties	1,385,596	139	524,861	-	525,000
Issuance of common stock in connection with the conversions of debt and accrued interest	1,098,973	110	439,479	-	439,589
Issuance of warrants as debt issue cost - related party	-	-	4,895	-	4,895
Net loss for the year ended December 31, 2011	-	-	-	(254,277)	(254,277)
Balance, December 31, 2011	36,348,830	3,635	(267,831)	1,381,261	1,117,065
Issuance of common stock for services rendered	15,000	2	6,448	-	6,450
Issuance of common stock for services rendered - related party	9,804	1	4,999	-	5,000
Net loss for the three months ended March 31, 2012	-	-	-	(140,055)	(140,055)
Balance, March 31, 2012 (unaudited, as restated)	36,373,634	\$ 3,638	\$ (256,384)	\$ 1,241,206	\$ 988,460

See accompanying notes to financial statements

Progressive Care, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March	
	2012 (As Restated)	31, 2011 (As Restated)
Cash Flows From Operating Activities:		
Net loss	\$ (140,055)	\$ (15,432)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	43,522	9,562
Bad debt	38,310	-
Recognition of stock-based compensation	6,450	175,545
Recognition of stock-based compensation - related parties	5,000	-
Forgiveness of accrued interest - former related party	-	(12,585)
Amortization of debt issue cost	1,957	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - net	(200,864)	(107,567)
Inventory	6,369	39,425
Prepays	(3,526)	(4,985)
Deposits	995	(35,704)
Deferred tax asset - net	(4,234)	12,498
Increase (decrease) in:		
Accounts payable and accrued liabilities	312,802	108,978
Deferred rent	7,426	-
Income tax payable	(30,728)	31,114
Accrued interest payable - related party	1,463	(1,446)
Net Cash Provided by Operating Activities	44,887	199,403
Cash Flows From Investing Activities:		
Purchase of property and equipment	(70,469)	(63,043)
Net Cash Used in Investing Activities	(70,469)	(63,043)
Cash Flows From Financing Activities:		
Cash overdraft	(50,626)	-
Proceeds from borrowings	40,000	-
Repayment of debt	(33,548)	(44,980)
Net Cash Used in Financing Activities	(44,174)	(44,980)
Net increase (decrease) in cash	(69,756)	91,380
Cash at beginning of year	88,874	204,336

Edgar Filing: Progressive Care Inc. - Form 10-Q/A

Cash at end of period	\$ 19,118	\$ 295,716
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 1,085	\$ 2,587
Cash paid for taxes	\$ -	\$ -
Supplemental disclosures of non-cash financing activities:		
Conversion of accounts payable to note	\$ 51,290	\$ -

See accompanying notes to financial statements

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2012

(Unaudited)

(As Restated)

Note 1 Nature of Operations, Recapitalization and Restatement (As Restated)

Organization

Progressive Training, Inc. (“Progressive Training”) was incorporated on October 31, 2006 in the State of Delaware. Pharmco, LLC a Florida limited liability company (“PharmCo”) was incorporated on November 29, 2005.

On October 21, 2010, Progressive Training entered into an Agreement and Plan of Merger with PharmCo, and Pharmco Acquisition Corp. (“Acquisition Sub”), pursuant to which Acquisition Sub was merged with and into PharmCo, and PharmCo, as the surviving corporation, became the Company’s wholly-owned subsidiary (the “Reverse Merger”). As part of the Reverse Merger, Progressive Training was renamed Progressive Care Inc. (the “Company”).

Description of the Business

The Company is a retail pharmacy specializing in the sale of medications and related patient care management, the sale and rental of durable medical equipment ("DME") and the supply of prescription medications and DME to nursing homes and assisted living facilities.

Recapitalization

Immediately following the Reverse Merger, the shareholders of PharmCo owned a majority of the outstanding shares of the Company, giving them voting control. In addition, as part of the transaction, the previous owners of Progressive Training retained the training video business; therefore, the transaction was accounted for as a reverse recapitalization. The assets and liabilities and the historical operations that are reflected in the financial statements are those of PharmCo. The historical consolidated financial statements reflect the impact of the change in capital structure that resulted from the recapitalization from the earliest period presented.

Restatement

The Company has restated its audited financial statements for the year ended December 31, 2010 (filed as amendment #2 on January 28, 2013) and its audited financial statements for the year ended December 31, 2011 (filed as amendment #1 on February 15, 2013). The Company is restating herein its unaudited quarterly financial statements for the quarters ended March 31, 2012 and 2011, originally filed in a Quarterly Report on Form 10-Q with the SEC on May 21, 2012. The Company is also concurrently restating its unaudited financial statements for the quarters ended June 30, 2012 and 2011, originally filed in a Quarterly Report on Form 10-Q with the SEC on August 20, 2012 and, its unaudited financial statements for the quarters ended September 30, 2012 and 2011, originally filed in a Quarterly Report on Form 10-Q with the SEC on November 21, 2012.

The Company originally recorded the Reverse Merger between Progressive Training and PharmCo as an acquisition, whereby Progressive Training acquired PharmCo. The financial statements are being restated to properly account for the Reverse Merger as a reverse recapitalization, whereby for accounting purposes, PharmCo acquired Progressive Training and therefore the financial statements set forth above are required to be restated.

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2012

(Unaudited)

(As Restated)

The following tables present the impact of the restatements on the Company's March 31, 2012 consolidated balance sheet and the Company's three months ended March 31, 2012 and 2011 consolidated statements of operations and statements of cash flows:

Assets	March 31, 2012 As Originally Reported	Adjustments	As Restated
Current Assets			
Cash	\$ 19,118	\$ -	\$ 19,118
Accounts receivable - net	1,169,390	-	1,169,390
Inventory	242,309	-	242,309
Prepays	25,267	-	25,267
Total Current Assets	1,456,084	-	1,456,084
Property and equipment - net	298,092	-	298,092
Other Assets			
Intangibles - net	1,519,679	(1,514,029)	B 5,650
Goodwill	1,348,402	(1,348,402)	C -
Deposits	43,746	-	43,746
Debt issue costs - net	20,302	-	20,302
Deferred tax assets - net	-	154,736	A 154,736
Total Other Assets	2,932,129	(2,707,695)	224,434
Total Assets	\$ 4,686,305	\$ (2,707,695)	\$ 1,978,610
Liabilities and Stockholders' Equity			
Current Liabilities			
Cash overdraft	\$ 20,754	\$ -	\$ 20,754
Accounts payable and accrued liabilities	510,298	-	510,298
Deferred rent payable	24,961	-	24,961
Income taxes payable	42,656	(30,040)	A 12,616
Notes payable	130,509	-	130,509
Notes payable - related parties	88,329	-	88,329
Accrued interest payable - related party	26,195	-	26,195
Deferred tax liabilities - net	-	26,488	A 26,488
Total Current Liabilities	843,702	(3,552)	840,150
Convertible note payable	150,000	-	150,000

Edgar Filing: Progressive Care Inc. - Form 10-Q/A

Total Liabilities	993,702	(3,552)		990,150
Stockholders' Equity				
Common stock, par value \$0.0001; 100,000,000 shares authorized; 36,373,634 and 36,348,830 issued and outstanding, respectively				
	3,810	(172)	D	3,638
Additional paid in capital	6,290,018	(6,546,402)	E	(256,384)
Retained earnings (deficit)	(2,601,225)	3,842,431	E	1,241,206
Total Stockholders' Equity	3,692,603	(2,704,143)		988,460
Total Liabilities and Stockholders' Equity	\$ 4,686,305	\$ (2,707,695)		\$ 1,978,610

Adjustments

- A - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9
- B - Removal of intangible assets in connection with Reverse Merger; see Note 1
- C - Removal of goodwill in connection with Reverse Merger; see Note 1
- D - Cancellation and retirement of 1,718,000 shares of Progressive owned by Pharmco prior to the Reverse Merger;
- E - Change in additional paid in capital and retained earnings a result of change in acquirer/acquiree in connection with Reverse Merger; see Note 1

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

	March 31, 2012			March 31, 2011		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
Sales - net	\$ 2,427,528	\$ -	\$ 2,427,528	\$ 1,872,619	\$ -	\$ 1,872,619
Cost of sales	1,845,462	-	1,845,462	951,201	-	951,201
Gross profit	582,066	-	582,066	921,418	-	921,418
Selling, general and administrative expenses	810,221	(60,634) A	749,587	954,758	(59,968) A	894,790
Income (loss) from operations	(228,155)	60,634	(167,521)	(33,340)	59,968	26,628
Other income (expense)						
Gain on debt settlement - former related party	-	-	-	12,585	-	12,585
Interest expense	(7,496)	-	(7,496)	(11,033)	-	(11,033)
Total other income (expense) - net	(7,496)	-	(7,496)	1,552	-	1,552
Income (loss) before provision for income taxes	(235,651)	60,634	(175,017)	(31,788)	59,968	28,180
Provision for income taxes						
Current income tax benefit (expense)	-	30,728 B	30,728	(49,067)	17,953 B	(31,114)
	-	4,234 B	4,234	26,100	(38,598) B	(12,498)

Deferred
income tax
benefit
(expense)

Total income
tax benefit

(expense) - net	-	34,962	34,962	(22,967)	(20,645)	(43,612
-----------------	---	--------	--------	-----------	-----------	---------

Net loss	\$ (235,651)	\$ 95,596	\$ (140,055)	\$ (54,755)	\$ 39,323	\$ (15,432
----------	---------------	-----------	---------------	--------------	-----------	------------

Basic and
diluted loss
per share

(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00
---------	---------	---------	---------	---------	---------	-------

Weighted
average
number of
common
shares
outstanding
during the
period - basic
and diluted

36,358,665	-	36,358,665	35,740,056	(1,718,000)	C	34,022,056
------------	---	------------	------------	--------------	---	------------

2012 Adjustments

A - Removal of amortization expense

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

2011 Adjustments

A - Removal of amortization expense

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

C - Cancellation and retirement of 1,718,000 shares of the Company's common stock owned by Pharmco prior to the Reverse Merger

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2012

(Unaudited)

(As Restated)

	March 31, 2012			March 31, 2011		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
Cash Flows From Operating Activities:						
Net loss	\$ (235,651)	\$ 95,596	\$ (140,055)	\$ (54,755)	\$ 39,323	\$ (15,432)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation	43,522	-	43,522	9,562	-	9,562
Bad debt	38,310	-	38,310	-	-	-
Recognition of stock-based compensation	6,450	-	6,450	175,545	-	175,545
Recognition of stock-based compensation - related parties	5,000	-	5,000	-	-	-
Forgiveness of accrued interest - former related party	-	-	-	-	(12,585)	C (12,585)
Amortization of intangibles	60,634	(60,634)	A -	59,969	(59,969)	A -
Amortization of debt issue cost	1,957	-	1,957	-	-	-
Changes in operating assets and liabilities: (Increase) decrease in:						

Edgar Filing: Progressive Care Inc. - Form 10-Q/A

Accounts receivable - net	(200,864)	-	(200,864)	(107,567)	-	(107,567)
Inventory	6,369	-	6,369	39,425	-	39,425
Prepays	(3,526)	-	(3,526)	(4,985)	-	(4,985)
Deposits	995	-	995	(35,704)	-	(35,704)
Deferred tax assets - net	-	(4,234)	(4,234)	(26,100)	38,598	12,498
Increase (decrease) in:						
Accounts payable and accrued liabilities	312,802	-	312,802	96,392	12,586	108,978
Deferred rent	7,426	-	7,426	-	-	-
Income tax payable	-	(30,728)	(30,728)	49,067	(17,953)	31,114
Accrued interest payable - related party	1,463	-	1,463	(1,446)	-	(1,446)
Net Cash Provided by Operating Activities	44,887	-	44,887	199,403	-	199,403
Cash Flows From Investing Activities:						
Purchase of property and equipment	(70,469)	-	(70,469)	(63,043)	-	(63,043)
Net Cash Used in Investing Activities	(70,469)	-	(70,469)	(63,043)	-	(63,043)
Cash Flows From Financing Activities:						
Cash overdraft	(50,626)	-	(50,626)	-	-	-
Proceeds from issuance of note payable	40,000	-	40,000	-	-	-
Repayment of note payable	(33,548)	-	(33,548)	(44,980)	-	(44,980)
Net Cash Used in Financing Activities	(44,174)	-	(44,174)	(44,980)	-	(44,980)
Net increase (decrease) in	(69,756)	-	(69,756)	91,380	-	91,380

cash						
Cash at beginning of period	88,874	-	88,874	204,336	-	204,336
Cash at End of Period	\$ 19,118	\$ -	\$ 19,118	\$ 295,716	\$ -	\$ 295,716
Supplemental Disclosures of Cash Flow Information						
Cash paid for interest	\$ 1,085	\$ -	\$ 1,085	\$ 2,587	\$ -	\$ 2,587
Cash paid for taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplemental disclosures of non-cash financing activities:						
Conversion of accounts payable to note	\$ 51,290	\$ -	\$ 51,290	\$ -	\$ -	\$ -

2012 Adjustments

A - Removal of amortization expense related to intangible assets

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

2011 Adjustments

A - Removal of amortization expense related to intangible assets

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

C - Reclassification from accounts payable and accrued liabilities for presentation purposes

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2012

(Unaudited)

(As Restated)

Basis of Presentation and Reclassification

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

The unaudited interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K/A for the years ended December 31, 2011 and 2010 (as restated February 15, 2013), which contains the audited financial statements and notes thereto, together with the Management's Discussion and Analysis of Financial Condition and Results of Operation, for the years ended December 31, 2011 and 2010. The interim results for the periods ended March 31, 2012 and 2011 are not necessarily indicative of results for the full fiscal year.

Certain prior period amounts have been reclassified to conform to the current period presentation including the restatement previously mentioned. These reclassifications had no effect on the financial position, results of operations or cash flows for the periods presented.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable, estimated useful lives and potential impairment of property and equipment, the value of goodwill and intangible assets and related potential impairment, estimated fair value of warrants using the Black-Scholes option pricing method and estimates of tax liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, actual results could differ significantly from estimates.

Progressive Care Inc. and Subsidiaries
 Notes to the Consolidated Financial Statements
 March 31, 2012
 (Unaudited)
 (As Restated)

Cash

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits; however, at March 31, 2012 and December 31, 2011, respectively, the balances did not exceed the federally insured limit.

Liquidity and Management's Plans (As Restated)

As reflected in the accompanying unaudited financial statements, the Company had a net loss of \$140,055 and net cash provided by operations of \$44,887. Cash on hand on May 1, 2012 was approximately \$500,000, \$402,500 of which was from financing activities. Management believes that its cash balance, current level of working capital, anticipated cash that will be received from expected future sales and additional funds through the issuance of equity securities will be sufficient to sustain operations for the next twelve months.

However, there can be no assurance that the plans and actions proposed by management will be successful, that the Company will generate anticipated sales, or that unforeseen circumstances will not require additional funding sources in the future.

Risks and Uncertainties

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

Billing Concentrations

The Company's primary receivables are from prescription medication and DME equipment billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse the Company. The Company generated reimbursements from significant insurance providers for the three months ended March 31, 2012 and 2011 as shown below.

Insurance Provider	Period Ended March 31, 2012	Period Ended March 31, 2011
A	19%	-
B	14%	16%
C	13%	-
D	12%	-
E	-	16%
F	-	11%

Inventory

Inventory is valued on a lower of first-in, first-out (FIFO) cost or market basis. Inventory primarily consists of prescription medications, DME and retail items.

Property and Equipment

Company used property and equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company provides DME on rent-to-own terms. Pursuant to Medicare guidelines (which are followed by private insurance carriers as well) DME equipment is “rented” to the insured for 13 months, after which title to the equipment transfers to the insured.

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

Description	Estimated Useful Life
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease
Furniture and equipment	5 years
Computer equipment and software	3 years
Vehicles	3-5 years
DME rental equipment	13 months

Depreciation of DME equipment is recorded as a cost of sales.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges taken for the three months ended March 31, 2012 or 2011.

Progressive Care Inc. and Subsidiaries
 Notes to the Consolidated Financial Statements
 March 31, 2012
 (Unaudited)
 (As Restated)

Website Development

The Company capitalizes certain costs associated with the development of its website. Other costs related to the planning and maintenance of the website are expensed as incurred. Amortization is to be provided over the estimated useful life of 2 years using the straight-line method for financial statement purposes.

The Company's new website has not been placed into service as of March 31, 2012. Therefore, for the three months ended March 31, 2012 and 2011, the Company had no amortization expense associated with its website development.

Debt Issue Costs

The Company paid debt issue costs in connection with raising funds through the issuance of convertible debt. These costs are being amortized over the life of the debt to interest expense. If a conversion of the underlying debt occurs, the proportionate share of the unamortized amounts will be immediately expensed.

Future amortization of debt issue costs for the fiscal years 2012 through 2014 are as follows:

Year	Amount
2012 (9 months remaining)	5,750
2013	7,631
2014	6,921
	\$ 20,302

Amortization related to debt issue costs for the three months ended March 31, 2012 was \$1,257; there was no related expense for the three months ended March 31, 2011.

Beneficial Conversion Feature and Debt Discount

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument. The discount is amortized to interest expense over the life of the debt. At March 31, 2012 there was no BCF.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

Fair Value of Financial Instruments

The Company's financial instruments consisted primarily of accounts receivable, accounts payable, accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments generally approximate their fair values as of March 31, 2012 and December 31, 2011, due to the short term nature of these instruments.

Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once derivative liabilities are determined, they are adjusted to reflect fair value at the end of each reporting period. Any increase or decrease in the fair value is recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

Revenue Recognition

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

For the three months ended March 31, 2012 and 2011, the Company had two identifiable continuing revenue streams.

(i) Pharmacy

The Company recognizes its pharmacy revenue when a customer picks up their prescription or purchases merchandise at the store. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and other insurance carriers. Customer returns are nominal.

Total pharmacy revenues for the periods ended March 31, 2012 and 2011 were approximately \$2,073,000 (85%) and \$1,700,000 (91%), respectively.

(ii) Durable Medical Equipment

The Company recognizes DME revenue from the date the equipment is picked up at its store or delivered to the customer. Revenue from DME rentals is booked over a 13 month period. Customer returns are nominal.

Total DME revenues for the periods ended March 31, 2012 and 2011 were approximately \$356,000 (15%) and \$170,000 (9%), respectively.

Cost of Sales

Cost of pharmacy sales is derived based upon point-of-sale scanning information with an estimate for shrinkage and is adjusted based on periodic inventories. All other costs related to sales are expensed as incurred.

Cost of DME sales is derived based upon vendor purchases relating to equipment sold and is adjusted based on periodic inventories. All other costs related to sales are expensed as incurred.

Vendor Concentrations

For the three months ended March 31, 2012 and 2011, the Company had significant vendor concentrations with vendors as follows:

Vendor	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
A	60%	-
B	17%	29%
C	1%	45%

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2012

(Unaudited)

(As Restated)

Because there is a large selection of pharmaceutical wholesalers in the United States, management does not believe that losing any vendor relationship will have an impact on the Company's business.

Selling, General and Administrative Expenses

SG&A primarily consists of store salaries, contract labor, occupancy costs, and expenses directly related to the store. Other administrative costs include advertising, insurance and depreciation.

Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred and are as follows:

Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
\$5,139	\$38,120

Stock-Based Payment Arrangements

Generally, all forms of stock-based payments, including warrants, are measured at their fair value on the awards' grant date typically using a Black-Scholes pricing model, based on the estimated number of awards that are ultimately expected to vest. Stock-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the stock-based payment, whichever is more readily determinable. The expense resulting from stock-based payments are recorded in general and administrative expense in the consolidated statement of operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

The Company does not believe it has any uncertain tax positions.

Earnings (Loss) per Share

Basic earnings/loss per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially

dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of warrants), and convertible debt, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The Company had the following potential common stock equivalents at March 31, 2012:

	Shares
Convertible debt – face amount of \$150,000, conversion price of \$0.40	375,000
Common stock warrants - 15,000, exercise price of \$0.40	15,000
Total common stock equivalents	390,000

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

The Company had no common stock equivalents at March 31, 2011.

Since the Company reflected a net loss for both the three months ended March 31, 2012 and 2011, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive; therefore, a separate computation of diluted earnings (loss) per share is not presented.

Recently Adopted Accounting Pronouncements

On January 1, 2012, we adopted FASB ASU 2011-04, an amendment to ASC 820, Fair Value Measurements. ASU 2011-04 clarifies or changes the application of existing fair value measurements, including: that the highest and best use valuation premise in a fair value measurement is relevant only when measuring the fair value of nonfinancial assets; that a reporting entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds that instrument as an asset; to permit an entity to measure the fair value of certain financial instruments on a net basis rather than based on its gross exposure when the reporting entity manages its financial instruments on the basis of such net exposure; that in the absence of a Level 1 input, a reporting entity should apply premiums and discounts when market participants would do so when pricing the asset or liability consistent with the unit of account; and that premiums and discounts related to size as a characteristic of the reporting entity's holding are not permitted in a fair value measurement. Adopting this amendment had no effect on the financial statements.

On January 1, 2012, we adopted FASB ASU 2011-08, and amendment to ASC 350 Intangibles- Goodwill and Other. ASU 2011-08 issued new guidance that simplified how entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform a quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test becomes optional. The Company chose to early adopt this guidance, which did not have an impact on our Consolidated Financial Statements.

There are no other new accounting pronouncements that have any impact on the Company's financial statements.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at March 31, 2012 and December 31, 2011.

	March 31, 2012	December 31, 2011
Gross accounts receivable	\$ 1,224,592	\$ 1,057,696
Allowance	(55,202)	(50,861)
Accounts receivable – net	\$ 1,169,390	\$ 1,006,835

The Company recorded a 5% allowance against insurance billings for bad debt for estimated differences between expected and actual payment of accounts receivables. These reductions are made based upon estimates that are determined by 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.

In addition to the bad debt allowance, for the period ended March 31, 2012 the Company wrote off \$38,310 of its accounts receivable to bad debt expense.

Note 4 Property and Equipment

Property and equipment consisted of the following:

	March 31, 2012 (As Restated)	December 31, 2011	Estimated Useful Life
DME rental equipment	255,724	223,685	Life of the lease
Leasehold improvements and fixtures	\$ 171,788	\$ 139,008	5 years
Vehicles	90,046	90,046	3 years
Computer equipment and software	56,407	56,407	3-5 years
Furniture and equipment	28,486	28,486	13 months
Total	602,451	537,632	
Less: accumulated depreciation	(304,359)	(260,837)	
Property and equipment – net	\$ 298,092	\$ 276,795	

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

As part of the restated financials, the Company recorded the assets of Pharmco at cost and recorded depreciation from the purchase date. Originally, the Company had recorded these assets at their fair value on October 21, 2010, the date of the merger.

Depreciation expense for non DME assets the three months ended March 31, 2012 and 2011 was \$11,857 and \$5,376, respectively. Depreciation of DME for the three months ended March 31, 2012 and 2011 was \$31,665 and \$4,186 respectively, and was recorded to cost of sales in 2012.

Note 5 Notes Payable

(A) Notes payable

The Company has an unsecured non-interest bearing note, due on demand, with its former CEO of \$62,767, which formerly bore interest of 8%. In February 2011, the holder forgave all past interest in the amount of \$12,585, which was recorded as a gain on forgiveness of accrued interest.

In January, 2011 the Company repaid \$20,000 of its \$500,000 in demand notes. In March of 2011 the Company offered holders of the remaining \$480,000 of its notes (the "Notes") the option to convert their Notes into shares of the Company's common stock at an exercise price of \$0.40/share. An aggregate of \$410,000 of the Notes plus accrued interest of \$29,589 were thereafter converted into 1,098,973 shares of the Company's common stock; in addition, \$65,000 of the Notes plus accrued interest was repaid. At March 31, 2012, \$25,000 of the Notes plus accrued interest up to the maturity date of March 2, 2011 remains outstanding.

On November 28, 2011, the Company entered into a \$150,000 3-year 8% convertible note with an investor. Under the terms of the note, the investor has the option to convert their note into shares of the Company's common stock at an exercise price of \$0.40/share. In connection with this note, the Company paid debt issue costs of \$18,000 and issued 15,000, 3-year warrants exercisable at \$0.40 per share, having a fair market value of \$4,895, as calculated using the Black Scholes valuation method. The warrants vested on the date of issuance and expire November 27, 2014. See Note 6 – Stock Warrants. Amortization related to debt issue costs for the three months ended March 31, 2012 was \$1,257; there was no related amortization for the three months ended March 31, 2011.

In the first quarter of 2012, the Company entered into a 1-year non-interest bearing note with a Vendor of the Company in the amount of \$51,290.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

(B) Notes payable – related parties

In connection with the acquisition of PharmCo, the Company assumed an unsecured note with an affiliate of another related party totaling \$73,329. This note bears interest at 8%, and is due on demand. At March 31, 2012 and December 31, 2011, the Company had accrued interest of \$26,195 and \$24,732, respectively.

The Company has an unsecured, non-interest bearing loan with its COO of \$15,000 that is due on demand. Subsequent to March 31, 2012, the Company received an additional \$6,000 then repaid the entire balance.

Note 6 Stock Warrants

A summary of warrant activity for the Company for the periods ended March 31, 2012 and December 31, 2011 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2011	15,000	0.40
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance at March 31, 2012	15,000	\$ 0.40

A summary of all outstanding and exercisable warrants as of March 31, 2012 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$ 0.40	15,000	15,000	2.66 years	\$ 1,650

Note 7 Commitments and Contingencies**Operating Leases**

The Company leases approximately 3,300 square feet of pharmacy space under a 10-year lease executed January 11, 2011; monthly gross payments are \$11,493. The Company also leases approximately 1,200 square feet of office space under a 2-year lease executed November 15, 2010; monthly gross payments are \$1,727.

On July 1, 2011 the Company entered into a 5 year lease of approximately 4,200 square feet in Miami, Florida. Under the term of this lease the Company is not responsible for lease payments until the lessor has completed the build out of this location which is anticipated in late 2012.

On October 6, 2011 the Company also entered into a 5 year lease of approximately 3,100 square feet in Opa Locka, Florida. Under the term of this lease the Company's lease payments commenced February 1, 2012.

Rent expense was \$59,212 and \$27,194 for the three months ended March 31, 2012 and 2011.

Deferred rent payable at March 31, 2012 and December 31, 2011 was \$24,961 and \$17,535, respectively. Deferred rent payable is the sum of the difference between the monthly rent payment and the monthly rent expense of an operating lease that contains escalated payments in future periods.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2012
(Unaudited)
(As Restated)

Rental commitments for currently occupied space for the fiscal years of 2012 through 2020 are as follows:

Year	Amount
2012 (9 months remaining)	\$ 162,000
2013	227,000
2014	216,000
2015	222,000
2016	230,000
Thereafter	763,000
	\$ 1,820,000

Legal Matters

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters that may arise from time to time may harm its business. The Company is currently neither a party to nor is it aware of any such legal proceedings or claims to be filed against it.

Note 8 Stockholders' Equity

During the three months ended March 31, 2012, the Company issued 24,804 shares of its common stock, with share prices ranging from \$0.35 to \$0.51, to consultants for services rendered. The aggregate shares on the issue dates have a fair value of \$11,450. The fair value of stock issued for these services is based upon the quoted closing trading price, or the value of the services provided, whichever is more readily determinable.

During the year ended December 31, 2011, the Company issued 1,687,857 shares of its common stock, with share prices ranging from \$0.15 to \$0.51, to officers, employees and consultants for services rendered. The aggregate shares have a fair market value on the issue dates of \$608,243. The fair value of stock issued for these services is based upon the quoted closing trading price, or the value of the services provided, whichever is more readily determinable.

Note 9 Taxes (As Restated)

At March 31, 2012 the Company had accrued income taxes payable of \$12,616 as follows:

A summary of the Company's tax liability (receivable) from December 31, 2011 through September 30, 2012 is as follows:

Balance, December 31, 2011	\$ 43,344
Net operating loss carry back - federal	(30,728)
Balance, March 31, 2012	\$ 12,616

The Company's provision for income taxes consists of the following:

	March 31, 2012	March 31, 2011
Current Income Tax Benefit (Expense):	\$ 30,728	\$ (31,114)
Deferred Income Tax Benefit (Expense):	4,234	(12,498)
Total income tax benefit (expense)	\$ 34,962	\$ (43,612)

Deferred tax assets and liabilities for the estimated tax impact of temporary differences between the tax and book basis of assets and liabilities are recognized based on the enacted statutory tax rates for the year in which the Company expects the differences to reverse. A valuation allowance is established against a deferred tax asset when it is more likely than not that the asset or any portion thereof will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has also considered its historical taxable income and factors that have led to its current year projected taxable loss. Based on historical differences between book and tax income (which in past years resulted in taxable income) despite corresponding book losses, the Company believes that it will have taxable income in 2013 and for the foreseeable future that will enable it to utilize its carry forward NOL; as such the Company has not reduced its deferred tax asset.

Progressive Care Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
 March 31, 2012
 (Unaudited)
 (As Restated)

The approximate components of the Company's net deferred tax assets are as follows:

	March 31, 2012	December 31, 2011
Deferred tax assets:		
Net operating loss carryforward	\$ 154,000	\$ 156,000
Sales allowance	14,000	12,000
Charitable contributions	8,000	8,000
Total deferred tax assets	176,000	176,000
Deferred tax liabilities:		
Property and equipment	(50,000)	(52,000)
Deferred rent	3,000	-
Total deferred tax liabilities	(47,000)	(52,000)
Less: valuation allowance	-	-
Deferred tax assets (liabilities) - net	\$ 129,000	\$ 124,000
Current Portion		
Property and equipment	\$ (35,000)	\$ (52,000)
Net operating loss carryforward	9,000	8,000
Current portion - net	(26,000)	(44,000)
Long term portion		
Property and equipment	(15,000)	-
Net operating loss carryforward	145,000	48,000
Charitable contributions	8,000	8,000
Sales allowance	14,000	12,000
Deferred rent	3,000	-
Long term portion - net	\$ 155,000	\$ 168,000

Note 10 Subsequent Events

On April 30, 2012, the Company issued a \$500,000 1-year 12% convertible note to TCA, resulting in net cash proceeds of \$452,500. The note may be converted at ninety-five percent (95%) of the average daily volume weighted average price ("VWAP") of the Company's common stock during the five (5) trading days immediately prior to the date of conversion. The note is secured by all of the assets of the Company.

On April 30, 2012, the Company entered into a Registration Rights Agreement ("RRA") with TCA. Under the terms of the RRA, the Company must file a registration statement with the U.S. Securities and Exchange Commission by June 14, 2012 and cause the effectiveness of said registration statement within 150 days thereof.

On April 30, 2012, the Company entered into an Equity Facility Agreement (“EFA”) with TCA. Under the terms of the EFA, upon the effectiveness of the registration statement and for a period of twenty-four (24) months thereafter, upon fulfillment of the conditions set forth in the EFA, the investor shall purchase up to \$2 million of the Company’s common stock at a per share purchase price equal to ninety-five percent (95%) of the 5-day VWAP (the 5 consecutive trading days subsequent to the Company’s request to draw down against this equity facility.)

As consideration for TCA entering into the EFA, the Company issued 196,078 shares of restricted common stock, having a fair market value of \$100,000. The Company and TCA agreed that in the event the value of these shares is either less than or greater than \$100,000 after a nine month period, an adjustment the number of shares issued will be made (either the issuance of additional shares or the return of already issued shares to/by TCA.) The \$100,000 will be treated as a prepaid direct equity offering cost in connection with the equity facility. Upon the initial drawdown(s), the Company will net the first \$100,000 against actual cash received with an offset to additional paid in capital. In the event that the Company is unable to draw \$100,000 or the facility is terminated, any remaining prepaid fees will be expensed.

For additional information, see Forms 8K filed on May 4, 2012.

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

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements and notes thereto, and with our audited consolidated financial statements and notes thereto for the year ended December 31, 2011, found in our Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward looking statements by using words such as "anticipate," "believe," "intends" or similar expressions. Our actual results may differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K.

Introduction

The Company is a South Florida pharmacy, which currently specializes in providing anti-retroviral patient care management, durable medical equipment (DME) and pharmaceutical needs to long term care facilities and doctor's offices. The pharmacy industry is highly competitive. We compete with national and independent retail drug stores, specialty pharmacies, supermarkets, convenience stores, mail order prescription providers, discount merchandisers, membership clubs, health clinics, internet pharmacies, and home medical equipment providers.

Our specific focus is to increase our revenues and presence in the specialty pharmacy business, pursuing expansion initiatives we instituted during the 2011 fiscal year.

Overview

As we entered the 2011 fiscal year, our business plan was to take advantage of our competitive bidding contract with Medicare by providing DME in South Florida. We also took several steps to enhance our long-term care prescription services including increasing our marketing efforts and moving forward with our expansion plans. We also began to concentrate on a new source of revenue, the specialty/anti-retroviral medication market, which we believe is underserved in South Florida.

In the second quarter of 2011 we entered the specialty/anti-retroviral medication market. We structured our pharmacy to not only provide prescription filling services for patients whose needs include anti-retroviral medication but to also offer such patients care management. To increase the credibility and quality of our services, we hired a team of personnel knowledgeable in the care and management of individuals with infectious diseases. Our services in this segment include customized and confidential prescription packaging, an extensive inventory of specialty/anti-retroviral medications, and 24-hour emergency customer assistance.

Our plans to grow our specialty pharmacy segment include grassroots marketing efforts targeted at physician groups and other referral sources. During the past year, overall our gross profit margin on specialty pharmacy services has been impacted by two primary factors: high medication costs and low reimbursements rates by Medicare and Medicaid. Specialty medication costs are high, resulting in lower gross margins for such products. . Although the profit margin on specialty medications is lower than on other medications, we believe that this line of business can be profitable if we can increase our sales volume by expanding our locations and significantly growing our presence in the area.

In 2011, our competitive bidding contract became effective for the sale of durable medical equipment. Through the first two quarters of 2011 we ramped up our marketing efforts of such products. Despite our increased sales volume, our cash flow has not increased as expected due to the institution by Medicare of a fraud prevention review processes

affecting nearly all sales of hospital beds and oxygen products, resulting in much higher initial denial rates on reviewed claims than had been previously experienced. We believe that many of the denied claims will ultimately be approved because we believe we are in substantial compliance with all governmental regulations regarding equipment dispensing and billing and audits conducted by Medicare have not yielded any material deficiencies in our compliance processes. However, the overall process has affected our business, as collections have become a time consuming and costly task.

In the second and third quarter of 2011, we targeted two additional South Florida locations which are currently scheduled to open in 2012. The first of these locations is in the City of Opa Locka, FL, where we believe the specialty pharmacy needs are underserved and the second is located across from North Shore Hospital in Miami, FL. This particular location was selected because of what we believe is a lack of pharmacy services offered by North Shore Hospital and the close proximity of a new outpatient clinic currently under construction adjacently located. We believe we will also benefit from long term care and senior living facilities in the immediate area, and have plans to relocate our nursing home fulfillment center to this location.

RESULTS OF OPERATIONS (AS RESTATED)

Three Months Ended March 31, 2012 and 2011

The following table summarizes our results of operations for the three months ended March 31, 2012 and 2011.

	Three Months Ended			March 31, 2011		
	March 31, 2012	% of	%	March 31, 2011	% of	%
	Dollars	Revenue	change	Dollars	Revenue	
Total revenues - net	\$ 2,428,000	100	30	\$ 1,873,000	100	
Total cost of sales	1,845,000	76	94	951,000	51	
Total gross margin	583,000	24	-37	922,000	49	
Operating expenses	750,000	31	-16	895,000	48	
Other income (expense)	(8,000)	0	-450	2,000	0	
Operating loss	(175,000)			29,000		
Income tax benefit (expense)	35,000			(44,000)		
Net loss	(140,000)			(15,000)		

Revenue

	Three Months Ended		31-Mar-11	
	31-Mar-12	%	31-Mar-11	%
Pharmacy Business Pctg	\$ 2,072,000	85	\$ 1,703,000	91
DME Business Pctg	\$ 356,000	15	\$ 170,000	9
Total Sales	\$ 2,428,000		\$ 1,873,000	

Net revenue increased approximately \$560,000 or 30% for the three months ended March 31, 2012 as compared to three months ended March 31, 2011. Individually, our pharmacy revenue increased approximately 22% or \$374,000, while for the same comparative periods our DME revenue increased approximately 109% or \$186,000.

Our increase in pharmacy revenue is mainly related to the increase in anti-retro viral medication sales, which carry a higher than average sale price; our increase in DME sales is related to our full implementation of our competitive bidding contract with Medicare, which had only just begun during the three months ended March 31, 2011.

Gross Margin

Our gross margin as a percent of sales decreased from 49% to 24% for three months ended March 31, 2012 as compared to the three months ended March 31, 2011. Overall margins for this period were lower mainly due to much higher sales of anti-retro viral medication that carry a much lower gross margin than do other medications. Conversely, our gross margin was positively impacted by our increase in DME sales, which allowed for bulk purchasing from vendors resulting in slightly higher overall margins for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Operating Expenses

Our SG&A expenses as a percentage of revenue were favorably impacted by a decrease of 16% for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The decrease in SG&A as a percentage of revenue was directly attributable to our restructuring of management's compensation resulting in a

marked decrease in both cash and stock based payment.

Net Loss

Our net loss from operations before income taxes increased from income of approximately \$28,000 to a loss of approximately \$175,000 for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. Our overall net loss was mainly attributable to a lower gross margin as a percentage of sales offset slightly by lower operating expenses, mainly management's compensation.

LIQUIDITY AND CAPITAL COMMITMENTS (AS RESTATED)

Current Market Conditions

We regularly monitor economic conditions and associated impacts on the financial markets and our business. Though there has been improvement in the global economic environment we continue to be cautious. We continue to evaluate the financial health of our supplier base, carefully manage customer credit, and monitor the concentration risk of our cash.

We believe that no significant concentration of credit risk currently exists. For further discussions of risks associated with market conditions, See "Part I — Item 1A — Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011.

Liquidity and Capital Resources

Cash on hand was approximately \$19,000 at March 31, 2012 as compared to approximately \$89,000 at December 31, 2011.

Net cash provided by operating activities for the three months ended March 31, 2012 was approximately \$45,000 compared to net cash provided by operating activities of approximately \$199,000 for the three months ended March 31, 2011. When compared to the prior year end, cash from operating activities mainly decreased as a result of additional losses and an increase in accounts payable, offset by a decrease in stock based compensation and an increase in accounts receivables.

Net cash used for investing activities was approximately \$70,000 for the three months ended March 31, 2012 as compared to net cash used in investing activities of approximately \$63,000 for the year ended March 31, 2011. The net cash used in investing activities was for equipment purchases for the expansion of our DME sales.

Net cash used by financing activities was approximately \$44,000 for the three months ended March 31, 2012 as compared to net cash used in financing activities of approximately \$45,000 for the three months ended March 31, 2011. The net cash used by financing activities included the reduction of a cash overdraft, repayment of notes payable offset by proceeds of a short term loan.

Our continued operations will primarily depend on whether we are able to generate revenues and profits and/or raise additional funds through various potential sources, such as equity and debt financing. Such additional funds may not become available on acceptable terms and there can be no assurance that any additional funding that we do obtain will be sufficient to meet our needs in the long term. We will continue to fund operations from cash on hand and through the similar sources of capital previously described. We can give no assurances that any additional capital that we are able to obtain will be sufficient to meet our needs.

Our recent sources of cash have been derived from the sale of our convertible secured notes. As of May 1, 2012, our cash balance was approximately \$500,000, which was primarily consisted of the net proceeds from the Note we issued to TCA (see subsequent events).

We recently entered into a \$2,000,000 equity financing agreement with TCA. However, prior to making any draw down on the equity facility we must meet certain conditions and there is no assurance that any such conditions will be met. Furthermore, there is no guarantee that we will be successful in raising any additional capital. There can be no assurance that we will be able to raise these funds on terms acceptable to us, if at all.

Current and Future Financing Needs

Based on our current plans, we believe that our current cash may not be sufficient to enable us to meet our planned operating needs. However, the actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control. We have based our estimate on assumptions that may prove to be wrong. We may need to obtain additional funds sooner or in greater amounts than we currently anticipate. Potential sources of financing include public or private sales of our shares or debt and other sources. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements. We do not have any committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of our existing stockholders will be diluted. If we are not able to obtain financing when needed, we may be unable to carry out our business plan. As a result, we may have to significantly limit our operations and our business, financial condition and results of operations would be

materially harmed.

Critical Accounting Policies

The information required by this section is incorporated herein by reference to the information set forth under the caption “Summary of Significant Accounting Policies” in Note 2 of the Notes to Consolidated Financial Statements included in “Part I — Item 1 — Financial Statements” and is incorporated herein by reference.

Off-Balance Sheet Arrangements

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

CAUTIONARY 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 and 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,” “as” 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” of 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable because the Company is a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”), and Chief Financial Officer (“CFO”) of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. On May 28, 2012, the Company’s CEO and CFO and its Board of Directors concluded that its financial statements and notes thereto for the years ended December 31, 2011 and 2010 and the interim periods thereof, were required to be restated to revise the initial treatment of the Reverse Merger from that of an acquisition to that of a reverse recapitalization. In light of the need to restate the financial statements the Company’s CEO and CFO have concluded that the disclosure controls were deficient and the deficiency constituted a material weakness. The Company’s CEO and CFO have since concluded that all material weaknesses and significant deficiencies will have been remediated upon the filing of all necessary restatements with the SEC. Upon the filing of all necessary restatements, based upon its current evaluation, the Company’s CEO and CFO have concluded that the Company’s current disclosure controls and procedures will be effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters that may arise from time to time may harm its business. The Company is currently neither a party to nor is it aware of any such legal proceedings or claims to be filed against it.

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

During the three months ended March 31, 2012 we issued 24,804 shares of common stock to officers and consultants for services rendered, having an aggregate market value on the issue dates of \$11,450. The securities issued for services were offered and sold in reliance on the exemption from registration under Section 4(2) of the Act. The offering was not conducted in connection with a public offering, and no public solicitation or advertisement was made or relied upon by the individual in connection with the offering.

On April 30, 2012 we issued 196,078 shares of common stock to TCA Global Credit Master Fund, LP, (“TCA”) in connection with the structuring of an equity facility, having a market value of \$100,000. The securities issued were offered and sold in reliance on the exemption from registration under Section 4(2) of the Act.

The offering was not conducted in connection with a public offering, and no public solicitation or advertisement was made or relied upon by the individual in connection with the offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) *

31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) *

32.1 Certification pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002 *

32.2 Certification pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002 *

EX-101.INS XBRL Instance Document

EX-101.SCH XBRL Taxonomy Extension Schema

EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase

EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

EX-101.LAB XBRL Taxonomy Extension Label Linkbase

EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase

*Filed herewith

SIGNATURE

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

PROGRESSIVE CARE INC.

By: /s/ Alan Jay Weisberg
Alan Jay Weisberg
President and Chief Executive
Officer
(Principal Executive Officer)
Date: April 1, 2013