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)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012

OR

o 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	32-0186005
(State or other jurisdiction of incorporation or organization)	(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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated file, a non-accelerated file, 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 o		Accelerated filer	o
Non-Accelerated filer o (Do not check if a smaller reporting company		Smaller reporting company	x

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

As of August 14, 2012, the Registrant had 24,338,185 shares of common stock outstanding.

PROGRESSIVE CARE INC.

FORM 10-Q/A

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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 June 30, 2012 as originally filed with the Securities and Exchange Commission (the "SEC") on August 20, 2012 (the "Original Form 10-Q"): (i) Item 1 of Part I "Financial Information," (ii) Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (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 June 30, 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

	June 30, 2012 (As Restated) (Unaudited)	December 31, 2011
Assets		
Current Assets		
Cash	$ 107,976	$ 88,874
Accounts receivable - net	1,285,757	1,006,835
Inventory	299,754	248,678
Prepaids	13,395	21,741
Total Current Assets	1,706,882	1,366,128
Property and equipment - net	283,808	276,795
Other Assets		
Deposits	43,746	44,741
Debt issue costs - net	145,413	22,259
Deferred tax assets - net	169,356	167,613
Total Other Assets	358,515	234,613
Total Assets	$ 2,349,205	$ 1,877,536
Liabilities and Stockholders' Equity		
Current Liabilities		
Cash overdraft	$ -	$ 71,380
Accounts payable and accrued liabilities	337,823	248,785
Deferred rent payable	32,387	17,535
Income taxes payable	24,567	43,344
Debt - net	398,024	87,767
Debt - related party	-	73,329
Accrued interest payable - related party	-	24,732
Derivative liability	228,208	-
Deferred tax liabilities - net	21,149	43,599
Total Current Liabilities	1,042,158	610,471
Long Term Debt	150,000	150,000
Total Liabilities	1,192,158	760,471

Stockholders' Equity		
Common stock, par value $0.0001; 100,000,000 shares authorized 36,596,617 and 36,348,830 issued and outstanding, respectively	3,659	3,635
Additional paid in capital	(42,365)	(267,831)
Retained Earnings	1,195,753	1,381,261
Total Stockholders' Equity	1,157,047	1,117,065
Total Liabilities and Stockholders' Equity	$ 2,349,205	$ 1,877,536

See accompanying notes to unaudited consolidated financial statements

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

	Three Months Ended		Six Months Ended	
	June 30, 2012 (As Restated)	June 30, 2011 (As Restated)	June 30, 2012 (As Restated)	June 30, 2011 (As Restated)
Sales - net	$ 2,542,478	$ 1,897,289	$ 4,970,006	$ 3,769,909
Cost of sales	1,744,855	880,752	3,587,871	1,831,953
Gross profit	797,623	1,016,537	1,382,135	1,937,956
Selling, general and administrative expenses	857,431	1,079,100	1,609,462	1,973,889
Loss from operations	(59,808)	(62,563)	(227,327)	(35,933)
Other income (expense)				
Change in fair value of derivative liability	15,945	-	15,945	-
Gain on AP and debt forgiveness	69,298	-	69,298	-
Gain on forgivensss of accrued interest - former related party	-	-	-	12,585
Interest expense	(78,898)	(1,538)	(86,394)	(12,571)
Total other income (expense) - net	6,345	(1,538)	(1,151)	14
Loss before provision for income taxes	(53,463)	(64,101)	(228,478)	(35,919)
Provision for income tax				
Current income tax benefit (expense)	(11,951)	(9,429)	18,777	(40,543)
Deferred income tax benefit (expense)	19,959	(7,903)	24,193	(20,401)
Total income tax benefit (expense)	8,008	(17,332)	42,970	(60,944)
Net loss	$ (45,455)	$ (81,433)	$ (185,508)	$ (96,863)
Basic and diluted net loss per common share	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding during the period - basic and diluted	36,514,906	35,491,546	36,436,786	34,760,861

See accompanying notes to unaudited consolidated financial statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
For the Years Ended December 31, 2011 and 2010 and the Period Ended June 30, 2012.
(Unaudited & Restated)

	Common Stock $0.0001 Par Value		Additional Paid-in	Retained	Total Stockholders'
	Shares	Amount	Capital	Earnings	Equity
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 acrrued 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 debt issue costs	196,078	19	99,981	-	100,000
Issuance of common stock for services rendered	30,000	3	14,497	-	14,500
Issuance of common stock for services rendered - related	21,709	2	9,998	-	10,000

party					
Gain on debt forgiveness - related party	-	-	100,990	-	100,990
Net loss for the six months ended June 30, 2012	-	-	-	(185,508)	(185,508)
Balance, June 30, 2012 (unaudited, as restated)	36,596,617	$ 3,659	$ (42,365)	$ 1,195,753	$ 1,157,047

See accompanying notes to unaudited consolidated financial statements

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

	Six Months Ended June 30,	
	2012 (As Restated)	2011 (As Restated)
Cash Flows From Operating Activities:		
Net loss	$ (185,508)	$ (96,863)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	128,574	40,556
Bad debt	38,311	-
Recognition of stock-based compensation	14,500	335,845
Recognition of stock-based compensation - related parties	10,000	-
Forgiveness of accrued interest - former related party	-	(12,585)
Amortization of debt issue costs and debt discount	67,485	-
Change in fair value of derivative liability	(15,945)	-
Gain on AP and debt forgiveness	(69,298)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - net	(317,233)	(228,455)
Inventory	(51,076)	67,568
Prepaids	8,346	(4,985)
Deposits	995	(35,704)
Deferred taxes	(24,193)	20,401
Increase (decrease) in:		
Accounts payable and accrued liabilities	217,745	112,658
Deferred rent	14,852	8,733
Income tax payable	(18,777)	40,543
Accrued interest payable - related party	2,929	(2,897)
Net Cash Provided by (Used in) Operating Activities	(178,293)	244,815
Cash Flows From Investing Activities:		
Purchase of property and equipment	(135,587)	(128,766)
Net Cash Used in Investing Activities	(135,587)	(128,766)
Cash Flows From Financing Activities:		
Cash overdraft	(71,380)	-
Proceeds from issuance of debt	540,000	-
Repayment of debt	(83,138)	(71,780)
Debt issue costs	(52,500)	-
Net Cash Provided by (Used in) Financing Activities	332,982	(71,780)
Net increase in cash	19,102	44,269

Cash at beginning of year	88,874	204,336
Cash at end of period	$ 107,976	$ 248,605
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 12,062	$ 2,480
Cash paid for taxes	$ 3,000	$ -
Supplemental disclosures of non-cash financing activities:		
Conversion of accounts payable to notes	$ 122,176	$ -
Debt discount recorded on convertible debt accounted for as a derivative liability	$ 244,153	$ -
Issuance of common stock for debt issue costs	$ 100,000	$ -
Gain on debt forgiveness - related party	$ 100,990	$ -
Conversion of notes payable into common shares	$ -	$ 410,000
Conversion of accrued interest into common shares	$ -	$ 29,589

See accompanying notes to unaudited consolidated financial statements

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 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 June 30, 2012 and 2011, originally filed in a Quarterly Report on Form 10-Q with the SEC on August 20, 2012. The Company is also concurrently restating its unaudited financial statement 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 and, its unaudited financial statement 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
June 30, 2012
(Unaudited)
(As Restated)

The following tables present the impact of the restatements on the Company's June 30, 2012 consolidated balance sheet and the Company's three and six months ended June 30, 2012 and 2011 consolidated statements of operations and statements of cash flows:

	June 30, 2012			
Assets	As Originally Reported	Adjustments		As Restated
Current Assets				
Cash	$ 107,976	$ -		$ 107,976
Accounts receivable - net	1,285,757	-		1,285,757
Inventory	299,754	-		299,754
Prepaids	13,395	-		13,395
Total Current Assets	1,706,882	-		1,706,882
Property and equipment - net	283,808	-		283,808
Other Assets				
Deposits	43,746	-		43,746
Debt issue costs - net	145,413			145,413
Deferred tax assets - net	-	169,356	A	169,356
Total Other Assets	189,159	169,356		358,515
Total Assets	$ 2,179,849	$ 169,356		$ 2,349,205
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$ 337,823	$ -		$ 337,823
Deferred rent payable	32,387	-		32,387
Income taxes payable	42,656	(18,089	) A	24,567
Debt - net	398,024	-		398,024
Derivative liability	228,208	-		228,208
Deferred tax liabilities - net	-	21,149	A	21,149
Total Current Liabilities	1,039,098	3,060		1,042,158
Long Term Debt	150,000	-		150,000
Total Liabilities	1,189,098	3,060		1,192,158
Stockholders' Equity				

Common stock, par value $0.0001; 100,000,000 shares authorized; 35,280,000 and 5,280,000 issued and outstanding, respectively	3,831	(172)	C	3,659
Additional paid in capital	136,885	(179,250)	B	(42,365)
Retained earnings	850,035	345,718	B	1,195,753
Total Stockholders' Equity	990,751	166,296		1,157,047
Total Liabilities and Stockholders' Equity	$ 2,179,849	$ 169,356		$ 2,349,205

Adjustments
A - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 10
B- Change in additional paid in capital and retained earnings a result of change in acquirer/acquiree in connection with Reverse Merger; see Note 1
C - Cancellation and retirement of 1,718,000 shares of Progressive owned by Pharmco prior to the Reverse Merger

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2012
(Unaudited)
(As Restated)

012	Three Months Ended June 30, 2011				Six Months Ended June 30, 2012			
nts	As Restated	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated	As Origi Repo
	$ 2,542,478	$ 1,897,289	$ -	$ 1,897,289	$ 4,970,006	$ -	$ 4,970,006	$ 3,76
	1,744,855	880,752	-	880,752	3,587,871	-	3,587,871	1,83
	797,623	1,016,537	-	1,016,537	1,382,135	-	1,382,135	1,93
	857,431	1,139,734	(60,634)	1,079,100	1,609,462	-	1,609,462	2,09
	(59,808)	(123,197)	60,634	(62,563)	(227,327)	-	(227,327)	(156
	15,945	-	-	-	15,945	-	15,945	-
	69,298	-	-	-	69,298	-	69,298	-
	-	-	-	-	-	-	-	12,58
	(78,898)	(1,538)	-	(1,538)	(86,394)	-	(86,394)	(12,5
	6,345	(1,538)	-	(1,538)	(1,151)	-	(1,151)	14
	(53,463)	(124,735)	60,634	(64,101)	(228,478)	-	(228,478)	(156

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Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2012
(Unaudited)
(As Restated)

	June 30, 2012			June 30, 2011		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
Cash Flows From Operating Activities:						
Net loss	$ (228,478)	42,970	$ (185,508)	$ (156,522)	59,659	$ (96,863)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation	128,574	-	128,574	40,556	-	40,556
Bad debt	38,311	-	38,311	-	-	-
Recognition of stock-based compensation	14,500	-	14,500	335,845	-	335,845
Recognition of stock-based compensation - related parties	10,000	-	10,000	-	-	-
Forgiveness of accrued interest - former related party	-	-	-	-	(12,585) C	(12,585)
Amortization of intangibles	-	-	-	120,603	(120,603) B	-
Amortization of debt issue costs and debt discount	67,485	-	67,485	-	-	-
Change in fair value of derivative liability	(15,945)	-	(15,945)	-	-	-
Gain on AP and debt forgiveness	(69,298)	-	(69,298)	-	-	-
Changes in operating assets and liabilities:						

(Increase) decrease in:							
Accounts receivable - net	(317,233)	-	(317,233)	(228,455)	-		(228,455)
Inventory	(51,076)	-	(51,076)	67,568	-		67,568
Prepaids	8,346	-	8,346	(4,985)	-		(4,985)
Deposits	995	-	995	(35,704)	-		(35,704)
Deferred tax assets - net	-	(24,193) A	(24,193)	-	20,401	A	20,401
Increase (decrease) in:							
Accounts payable and accrued liabilities	217,745	-	217,745	100,073	12,585	C	112,658
Deferred rent	14,852	-	14,852	8,733	-		8,733
Income tax payable	-	(18,777) A	(18,777)	-	40,543	A	40,543
Accrued interest payable - related party	2,929	-	2,929	(2,897)	-		(2,897)
Net Cash Provided by (Used in) Operating Activities	(178,293)	-	(178,293)	244,815	-		244,815
Cash Flows From Investing Activities:							
Purchase of property and equipment	(135,587)	-	(135,587)	(128,766)	-		(128,766)
Net Cash Used in Investing Activities	(135,587)	-	(135,587)	(128,766)	-		(128,766)
Cash Flows From Financing Activities:							
Cash overdraft	(71,380)	-	(71,380)	-	-		-
Proceeds from issuance of debt	540,000	-	540,000	-	-		-
Debt issue costs	(52,500)	-	(52,500)	-	-		-
Repayment of debt	(83,138)	-	(83,138)	(71,780)	-		(71,780)
Net Cash Provided by (Used in) Financing Activities	332,982	-	332,982	(71,780)	-		(71,780)
Net increase in cash	19,102	-	19,102	44,269	-		44,269

Cash at beginning of year	88,874	-	88,874	204,336	-	204,336
Cash at end of period	$ 107,976	$ -	$ 107,976	$ 248,605	$ -	$ 248,605
Supplemental disclosures of cash flow information:						
Cash paid for interest	$ 12,062	$ -	$ 12,062	$ 2,480	$ -	$ 2,480
Cash paid for taxes	$ -	$ 3,000	$ 3,000	$ -	$ -	$ -
Supplemental disclosures of non-cash financing activities:						
Conversion of accounts payable to notes	$ 122,176	$ -	$ 122,176	$ -	$ -	$ -
Debt discount recorded on convertible debt accounted for as a derivative liability	$ 244,153	$ -	$ 244,153	$ -	$ -	$ -
Issuance of common stock for debt issue costs	$ 100,000	$ -	$ 100,000	$ -	$ -	$ -
Gain on debt forgiveness - related party	$ 100,990	$ -	$ 100,990	$ -	$ -	$ -
Conversion of notes payable into common shares	$ -	$ -	$ -	$ 410,000	$ -	$ 410,000
Conversion of accrued interest into common shares	$ -	$ -	$ -	$ 29,589	$ -	$ 29,589

Adjustments
A - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 10
B - Removal of amortization expense of intangible assets in connection with Reverse Merger; see Note 1.
C - Reclassification from accounts payable and accrued liabilities for presentation purposes

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Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 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 June 30, 2012 and 2011 are not necessarily indicative of results for the full fiscal year.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2012
(Unaudited)
(As Restated)

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, estimated fair value of warrants and derivative liabilities 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.

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 June 30, 2012 and December 31, 2011, respectively, the balances did not exceed the federally insured limit.

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. See Note 11 – Going Concern.

Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2012
(Unaudited)
(As Restated)

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 six months ended June 30, 2012 and 2011 as shown below.

Insurance Provider	Six months ended June 30, 2012	Six months ended June 30, 2011
A	20%	11%
B	15%	13%
C	13%	1%
D	13%	-
E	-	17%

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 of DME equipment is recorded to cost of sales.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value

Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.

Level 1
-

Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs reflecting the Company’s assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The following are the major categories of liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	June 30, 2012	December 31, 2011
Derivative Liabilities (Level 2)	$228,208	$-

The Level 2 valuation relates to derivative liabilities measured using management's estimates of fair value as well as other significant inputs that are unobservable.

The Company has determined the estimated fair value amounts presented in these financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Fair value estimates are based upon pertinent information available as of the respective balance sheet dates and the Company has determined that the carrying value of all financial instruments approximates fair value.

The Company's financial instruments consisted primarily of accounts receivable, prepaids, accounts payable and accrued liabilities, derivative liabilities and debt. The carrying amounts of the Company's financial instruments generally approximated their fair values as of June 30, 2012 and December 31, 2011, respectively, due to the short-term nature of these instruments.

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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 June 30, 2012 and 2011, there were no BCFs.

Derivative Liabilities

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. 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. Once a derivative liability ceases to exist any remaining fair value will be reclassified to additional paid in capital.

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 six months ended June 30, 2012 and 2011, the Company had two revenue streams.

(i) Pharmacy

The Company recognizes its pharmacy revenue when a customer picks up or is delivered their prescription or merchandise. 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 six months ended June 30, 2012 and 2011 were approximately $4,281,000 (86%) and $3,411,000 (90%), respectively.

(ii) Durable Medical Equipment

The Company recognizes DME revenue from the date the equipment is picked up 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 six months ended June 30, 2012 and 2011 were approximately $689,000 (14%) and $359,000 (10%), respectively.

Cost of Sales

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

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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 six months ended June 30, 2012 and 2011, the Company had significant vendor concentrations with vendors as follows:

Vendor	Six months ended June 30, 2012	Six months ended June 30, 2011
A	65%	6%
B	15%	35%
C	1%	35%

Due to 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)

SG&A primarily consists of salaries, contract labor, occupancy costs, and expenses directly related to the Company's operations. 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:

Six months ended June 30, 2012	Six months ended June 30, 2011
$ 14,200	$ 49,180

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.

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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 June 30, 2012:

	Shares
Convertible debt – face amount of $150,000; fixed conversion price; $0.40	375,000
Convertible debt – face amount of $500,000; variable conversion price; $0.40	1,253,133
Common stock warrants - 15,000; exercise price of $0.40	15,000
Total common stock equivalents	1,643,133

The Company had no common stock equivalents at June 30, 2011.

The Company reflected a net loss for the six months ended June 30, 2012 and 2011; therefore, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. Consequently, a separate computation of diluted earnings (loss) per share is not presented.

In connection with the recapitalization, all shares and per share amounts have been retroactively restated.

Recent Accounting Pronouncements

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

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2012 and December 31, 2011.

	June 30, 2012	December 31, 2011
Gross accounts receivable	$ 1,353,439	$ 1,057,696
Allowance	(67,682)	(50,861)
Accounts receivable – net	$ 1,285,757	$ 1,006,835

The Company recorded an approximate 5% allowance 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, adjusting the amounts as necessary.

In addition, for the six months ended June 30, 2012 the Company wrote off $38,311 of its accounts receivable to bad debt expense; there we no bad debt write-offs during the six months ended June 30, 2011.

Note 4 Property and Equipment

Property and equipment consisted of the following.

	June 30, 2012	December 31, 2011	Estimated Useful Life
DME rental equipment	$ 260,815	$ 223,685	Life of the lease
Leasehold improvements and fixtures	181,536	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	30,575	28,486	13 months
Total	619,379	537,632	
Less: accumulated amortization/depreciation	(335,571)	(260,837)	
Property and equipment – net	$ 283,808	$ 276,795	

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Depreciation is computed on a straight-line basis over estimated useful lives. 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 six months ended June 30, 2012 or 2011.

Depreciation expense for the six months ended June 30, 2012 and 2011 was $128,574 and $40,556, respectively.

Note 5 Debt

Debt consists of the following:

	June 30, 2012	December 31, 2011
A. Convertible debt - Secured	$ 500,000	$ -
Less: debt discount	(206,014)	-
Convertible debt - net	293,986	-
B. Convertible debt - Unsecured	150,000	150,000
C. Note - Secured	29,920	-
D. Notes – Unsecured	74,118	161,096
Total debt	$ 548,024	$ 311,096
Current portion	$ 398,024	$ 161,096
Long term portion	$ 150,000	$ 150,000

The corresponding debts above are more fully discussed below:

(A) Convertible Debt – Secured

During the six months ended June 30, 2012 the Company issued a secured convertible note for $500,000. The note bears interest of 12%, 6% of which is charged monthly and 6% of which is accrued and due in a balloon payment at maturity. The note has a default interest rate of 18%, a maturity date of April 30, 2013 and is secured by all of the assets of the Company and its subsidiaries. The debt holder is entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock. The note is convertible at 95% of the volume weighted average price of the Company's common stock for the 5 days preceding conversion. The embedded conversion feature within this note classifies it as a derivative liability. See Note 6.

The Company incurred debt issue costs of $152,500 in connection with the note; of which $100,000 was in stock (196,708 shares @ $0.51 per share) and the remaining $52,500 in cash. See Note 5(E).

(B) Convertible Debt – Unsecured

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 7 – Stock Warrants.

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(C) Note - Secured

The Company has a one year secured note with a DME vendor that bears no interest and matures on January 15, 2013. The note is secured by only the DME equipment to which the note appertains. Secured notes consist of the following:

Balance, December 31, 2011	$-
Reclassification from accounts payable to notes payable	51,290
Repayments	(21,370)
Balance, June 30, 2012	$29,920

(D) Notes - Unsecured

The Company has two short term note with vendors that bear no interest. Unsecured Notes consists of the following:

Balance, December 31, 2011	$ 161,0966
Reclassification from accounts payable to notes payable	70,8866
Additional borrowings	40,000
Repayments	(61,7688)
Debt forgiveness	(62,7677)
Debt forgiveness – related party	(73,3299)
Balance, June 30, 2012	$ 74,1188

During the quarter ended June 30, 2012, a party related to a principal shareholder in the Company, agreed to forgive debt of $73,329 (see above) and accrued interest of $27,661 (totaling $100,990), which was charged to additional paid-in capital. The Company does not record gains or losses on related party transactions.

(E) 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 and recorded as interest expense. If a conversion of the underlying debt occurs, the proportionate share of the unamortized amounts will be immediately expensed.

For the six months ended June 30, 2012 the Company incurred debt issue costs and amortization expense of $152,500 and $29,346, respectively. For the six months ended June 30, 2011 the Company paid no debt issue costs and incurred no amortization expense.

The following is a summary of the Company’s debt issue costs.

	June 30, 2012	December 31, 2011
Debt issue costs	$ 175,395	$ 22,895
Accumulated amortization of debt issue costs	(29,982)	(636)

Debt issue costs – net	$ 145,413	$ 22,259

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

Year	Amount
2012 (6 months remaining)	$ 80,724
2013	57,769
2014	6,920
	$ 145,413

(E) Debt Discount

The Company recorded debt discounts in connection with the issuance of convertible debt that contains an embedded conversion option. These costs are amortized over the life of the debt to interest expense. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts will be immediately expensed.

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The following is a summary of the Company's debt discount.

	June 30, 2012	June 30, 2012
Debt discount	$ 244,153	$ -
Accumulated amortization of debt discounts	(38,139)	-
Debt discount – net	$ 206,014	$ -

Note 6 Derivative Liabilities

The Company identified a conversion feature embedded within one of its convertible debts and has determined that it should be accounted for at fair value as a derivative liability.

The fair value of the conversion feature is summarized as follow:

Derivative liability - December 31, 2011	$-
Fair value at the commitment date for debt instruments	244,153
Fair value mark to market adjustment for debt instruments	(15,945)
Derivative liability – June 30,2012	$228,208

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions during 2012:

	Commitment Date	Re-measurement Date
Expected dividends	0 %	0 %
Expected volatility	119 %	121 %
Expected term:	12 months	10 months
Risk free interest rate	0.18 %	0.19 %

Note 7 Stock Warrants

A summary of warrant activity for the Company for the periods ended June 30, 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 June 30, 2012	$ 15,000	$ 0.40

A summary of all outstanding and exercisable warrants as of June 30, 2012 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$ 0.40	15,000	15,000	2.41 years	$ 300

Note 8 Commitments and Contingencies

Operating Leases

The Company leases approximately 5,100 square feet of pharmacy space under a 10-year lease executed January 11, 2011. The Company also leases approximately 1,200 square feet of office space under a 2-year lease executed November 15, 2010.

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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 $125,823 and $53,512 for the six months ended June 30, 2012 and 2011.

Deferred rent payable at June 30, 2012 and December 31, 2011 was $32,387 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.

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

Year	Amount
2012 (6 months remaining)	$ 108,000
2013	227,000
2014	216,000
2015	222,000
2016	230,000
Thereafter	763,000
	$ 1,766,000

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 9 Stockholders' Equity

During the six months ended June 30, 2012, the Company issued 247,787 shares of its common stock, with share prices ranging from $0.35 to $0.51, to consultants for services rendered and the acquisition of debt; the shares have a fair value of $124,500. The fair value of stock issued is based upon the quoted closing trading price, or the value of the services provided, whichever is more readily determinable.

Note 10 Taxes (As Restated)

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

Balance, December 31, 2011	$	43,344
Net operating loss carry back - federal		(18,777)
Balance, June 30, 2012	$	24,567

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

	June 30, 2012	June 30, 2011
Current Income Tax Benefit (Expense):	$ 18,777	$ (40,543)
Deferred Income Tax Benefit (Expense):	24,193	(20,401)
Total income tax benefit (expense)	$ 42,970	$ (60,944)

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.

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

	June 30, 2012	December 31, 2011
Deferred tax assets:		
Net operating loss carryforward	$ 152,000	$ 156,000
Sales allowance	19,000	12,000
Charitable contributions	13,000	8,000
Total deferred tax assets	184,000	176,000
Deferred tax liabilities:		
Property and equipment	(42,000)	(52,000)
Deferred rent	6,000	-
Total deferred tax liabilities	(36,000)	(52,000)
Less: valuation allowance	-	-
Deferred tax assets (liabilities) - net	$ 148,000	$ 124,000
Current Portion		
Property and equipment	$ (30,000)	$ (52,000)
Net operating loss carryforward	9,000	8,000

Current portion – net	(21,000)	(44,000)
Long term portion		
Property and equipment	(12,000)	-
Net operating loss carryforward	143,000	48,000
Charitable contributions	13,000	8,000
Sales allowance	19,000	12,000
Deferred rent	6,000	-
Long term portion – net	$ 169,000	$ 168,000

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Note 11 Going Concern (As Restated)

As reflected in the accompanying unaudited interim consolidated financial statements, the Company had a net loss of approximately $186,000 and net cash used in operations of approximately $178,000 for the six months ended June 30, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

In response to these issues, management is taking the following actions:

increasing it sales presence in the community by sponsoring health related events
hiring additional sales personnel to target additional market segments
seeking additional third party debt and/or equity financing

The accompanying unaudited interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Other Matters

On June 11, 2012, the Company received written notice of the resignation of Andy Subachan as a director of the Company, effective immediately, and terminated the employment of Mr. Subachan as Chief Operating Officer, also effective immediately, as a result of the Company learning that Mr. Subachan had pleaded guilty to violating federal health care anti-kickback statutes at an assisted living facility owned and managed by him, and not related in any respect to the Company or its business.

However, as a result of Mr. Subachan being a control shareholder, officer, and director, PharmCo (a wholly owned subsidiary of the Company) received written notice from the State of Florida Agency for Health Care Administration ("AHCA") terminating PharmCo's participation in the state's Medicaid program. Thereafter, PharmCo was orally advised by the staff at AHCA that no termination of the ability to bill for Medicaid goods and services would be effected pending the outcome of a hearing before AHCA regarding this matter, during which time the Company intended to seek Mr. Subachan's consent to divest himself of his equity interest in the Company.

Notwithstanding, PharmCo has encountered significant difficulties working with the Medicaid system protocols to bill Medicaid claims, and as such has not been able to process its Medicaid claims.

On July 31, 2012, Mr. Subachan returned 12,208,432 shares of common stock to the Company and the Company agreed to release him from claims. No indemnity, however, was granted for third party action(s).

On August 17, 2012, in a written agreement received from AHCA, PharmCo's termination from the State's Medicaid program was rescinded. As such, PharmCo expects to now receive all payments held by Medicaid, as well as be allowed to bill for and receive payment for the prescriptions it filled for customers who were insured by Medicaid during the period its participation in the state's Medicaid program was restricted.

Note 12 Subsequent Events

On July 31, 2012, the Company's former COO returned 12,208,432 shares of the Company's common stock to the Company's treasury. The shares returned to the Company were accounted for at par value.

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. 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 for the year ended December 31, 2011.

Introduction

The Company is a South Florida pharmacy, which 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 provide prescription filling services for patients whose needs include anti-retroviral medication and offer 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. For the first six months ended June 30, 2012, sale of prescriptions to patients taking anti-retro viral medication were approximately $1.85 million.

In January 2011, our Medicare competitive bidding contract became effective for the sale of durable medical equipment. Since then, we have ramped up our marketing efforts of such products resulting in a substantial increase in our sales of 92% for the first six months of 2012 as compared to the same period in 2011. However, cash flow from DME sales has been hampered by Medicare's review of nearly all rentals of hospital beds and oxygen products. As part of this review, Medicare has denied some claims at a much higher rate than had been previously experienced.

Management believes that most 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. Further, audits conducted by Medicare have not yielded any material deficiencies in our compliance processes. Notwithstanding, and to mitigate the impact on our cash flow, management has taken certain steps, including:

- the diversification of our product base by selling and marketing DME outside the scope of the review process;
- an increase in compliance protocols to increase the likelihood of payment without review;
- the improvement of the documentation process between us and Medicare, patients, doctors, and referral sources to ensure timely receipt of supporting documentation to substantiate billing claims; and
- an increase in the training, productivity and efficiency of our sales staff to streamline overall processes.

Based on the above, we expect to see ongoing improvements in our cash flow in the near term.

In the second and third quarter of 2011, we targeted two additional South Florida locations. The first of these locations which is scheduled to open in the third quarter of 2012 is in the City of Opa Locka, FL, where we believe the specialty pharmacy needs are underserved. The second is located across from North Shore Hospital in Miami, FL, and is tentatively scheduled to open in the second quarter of 2013, pending the City of Miami’s approval of our building plans. This particular location was selected because management believes there is a lack of pharmacy services offered by North Shore Hospital and because of the close proximity of a new outpatient clinic currently under construction and 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 June 30, 2012 and 2011

The following table summarizes our results of operations for the three months ended June 30, 2012 and 2011. All amounts have been rounded to the nearest thousandth.

	Three Months Ended					
	June 30, 2012		June 30, 2011			
	Dollars	% of Revenue	Dollars	% of Revenue	$ change	% change
Total revenues - net	$ 2,542,000	100 %	$ 1,897,000	100 %	$ 645,000	34 %
Total cost of sales	1,745,000	69 %	881,000	46 %	$ 864,000	98 %
Total gross margin	797,000	31 %	1,016,000	54 %	$ (219,000)	-22 %
Operating expenses	857,000	34 %	1,079,000	57 %	$ (222,000)	-21 %
Other income (expense)	6,000	0 %	(2,000)	0 %	$ 8,000	-400 %
Operating loss	(54,000)	-2 %	(65,000)	-3 %	$ 11,000	-17 %
Income tax benefit (expense)	8,000	0 %	(17,000)	-1 %	$ 25,000	-147 %
Net loss	(46,000)	-2 %	(82,000)	-4 %	$ 36,000	-44 %

Revenue

Our pharmacy and DME revenues were as approximately as follows. All amounts have been rounded to the nearest thousandth.

	Three Months Ended					
	June 30, 2012		June 30, 2011			
	Dollars	% of Revenue	Dollars	% of Revenue	$ change	% change
Pharmacy	$ 2,209,000	87 %	$ 1,783,000	94 %	$ 426,000	24 %
DME	$ 333,000	13 %	$ 114,000	6 %	219,000	192 %
Total Sales	$ 2,542,000		$ 1,897,000		$ 645,000	34 %

Net revenue increased approximately $645,000 or 34% for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. 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 first quarter

of 2011.

Gross Margin

Our gross margin as a percent of sales decreased from 54% to 31% for three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Overall margins for this period were lower mainly due to higher sales of anti-retro viral medication that carry a 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 June 30, 2012 as compared to the three months ended June 30, 2011.

Operating Expenses

Our operating expenses decreased approximately $222,000 or 21% for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The decrease was mainly attributable to our restructuring of management's compensation..

Net Loss

Our overall net loss decreased slightly or approximately $36,000 for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Our overall net loss was mainly attributable to a lower gross margin offset almost entirely by decreased operating expenses. Our income tax benefit for 2012 as compared to our income tax expense in 2011 accounted for approximately $33,000 of the decrease in our net loss.

Six Months Ended June 30, 2012 and 2011

The following table summarizes our results of operations for the six months ended June 30, 2012 and 2011. All amounts have been rounded to the nearest thousandth.

	Six Months Ended					
	June 30, 2012		June 30, 2011			
	Dollars	% of Revenue	Dollars	% of Revenue	$ change	% change
Total revenues - net	$ 4,970,000	100 %	$ 3,770,000	100 %	$ 1,200,000	32 %
Total cost of sales	3,588,000	72 %	1,832,000	49 %	$ 1,756,000	96 %
Total gross margin	1,382,000	28 %	1,938,000	51 %	$ (556,000)	-29 %
Operating expenses	1,609,000	32 %	1,974,000	52 %	$ (365,000)	-18 %
Other income (expense)	(1,000)	0 %	-	0 %	$ (1,000)	
Operating loss	(228,000)	-5 %	(36,000)	-1 %	$ (192,000)	533 %
Income tax benefit (expense)	43,000	1 %	(61,000)	-2 %	$ 104,000	-170 %
Net loss	(185,000)	-4 %	(97,000)	-3 %	$ (88,000)	91 %

Revenue

Our pharmacy and DME revenues were as approximately as follows. All amounts have been rounded to the nearest thousandth.

	Six Months Ended					
	June 30, 2012		June 30, 2011			
	Dollars	% of Revenue	Dollars	% of Revenue	$ change	% change
Pharmacy	$ 4,281,000	86 %	$ 3,411,000	90 %	$ 870,000	26 %
DME	$ 689,000	14 %	$ 359,000	10 %	330,000	92 %
Total Sales	$ 4,970,000		$ 3,770,000		$ 1,200,000	32 %

Net revenue increased approximately $1.2 million or 32% for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. 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 first quarter of 2011.

Gross Margin

Our gross margin as a percent of sales decreased from 51% to 28% for six months ended June 30, 2012 as compared to the six months ended June 30, 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 six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Operating Expenses

Our operating expenses decreased approximately $365,000 or 18% for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The decrease was mainly attributable to our restructuring of management's compensation.

Net Loss

Our overall net loss increased approximately $88,000 for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Our overall net loss was mainly attributable to a lower gross margin offset almost entirely by decreased operating expenses.

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

	Six Months Ended	
	June 30, 2012	June 30, 2011
Net change in cash from:		
Operating activities	$ (178,000)	$ 245,000
Investing activities	(136,000)	(129,000)
Financing activities	333,000	(72,000)
Change in cash	$ 19,000	$ 44,000
Cash at end of Period	$ 108,000	$ 249,000

At June 30, 2012, the Company had cash of approximately $108,000 and working capital of approximately $665,000, compared to cash of approximately $89,000 and a working capital of approximately $756,000 at December 31, 2011. The working capital decrease of approximately $91,000 is primarily due to an increase in debt and associated derivative liabilities of approximately $538,000 and an increase in accounts payable and accrued liabilities of approximately $89,000 offset by an increase in cash of approximately $90,000, an increase in accounts receivable of approximately $279,000, an increase in debt issue cost net of approximately $123,000 and an increase in inventory of approximately $51,000.

Net cash used in operating activities for the six months ended June 30, 2012 was approximately $178,000 compared to net cash provided by operating activities of approximately $245,000 for the six months ended June 30, 2011. When compared, net cash from operating activities primarily decreased as a result of approximately $88,000 in net losses, an increase of approximately $88,000 in depreciation expense, amortization of debt issue cost and debt discount of approximately $67,000, offset by a $69,000 gain from debt forgiveness and a decrease of $311,000 in stock based compensation.

Net cash used for investing activities was approximately $136,000 for the six months ended June 30, 2012 as compared to net cash used in investing activities of approximately $129,000 for the six months ended June 30, 2011. Net cash used in investing activities was for equipment purchases for the expansion of our DME sales.

Net cash provided by financing activities was approximately $333,000 for the six ended June 30, 2012 as compared to net cash used in financing activities of approximately $72,000 for the six months ended June 30, 2011. Our increase in net cash provided by financing activities was primarily due to the proceeds of our convertibles secured notes.

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. In addition, we recently entered into a $2,000,000 equity financing agreement, which will allow us to draw down on the line over a 2-year period, provided that certain conditions are met; however, there is no assurance that any such conditions will be met, and to date we have not drawn down against the line.

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

We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy. Our cash flow has been severely hampered by issues relating to Medicaid (see “Other Matters” in Note 11 of the Notes to Consolidated Financial Statements included in “Part I — Item 1 — Financial Statements”); however we believe that the resolution of the Medicaid issue will, in the near term, alleviate this cash flow issue.

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,” “ass 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 June 30, 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 six months ended June 30, 2012, the Company issued 247,787 shares of its common stock, with share prices ranging from $0.35 to $0.51, for debt issue costs and to consultants for services rendered; the shares have a fair value of $124,500. The fair value of stock issued for these services is based upon the quoted closing trading price of the Company's common stock on the date if issue. 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.

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