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 September 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 November 14, 2012, the Registrant had 24,413,602 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 September 30, 2012 as originally filed with the Securities and Exchange Commission (the “SEC”) on November 21, 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 September 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

	September 30, 2012 (As Restated) (Unaudited)	December 31, 2011
Assets		
Current Assets		
Cash	$ 3,572	$ 88,874
Accounts receivable - net	1,295,198	1,006,835
Income tax receivable	4,819	-
Inventory	319,951	248,678
Prepaids	23,546	21,741
Total Current Assets	1,647,086	1,366,128
Property and equipment - net	270,654	276,795
Other Assets		
Deposits	47,612	44,741
Debt issue costs - net	105,051	22,259
Deferred tax assets - net	216,322	167,613
Total Other Assets	368,985	234,613
Total Assets	$ 2,286,725	$ 1,877,536
Liabilities and Stockholders' Equity		
Current Liabilities		
Cash overdraft	$ -	$ 71,380
Accounts payable and accrued liabilities	515,642	248,785
Deferred rent payable	39,812	17,535
Income taxes payable	-	43,344
Debt - net	449,182	87,767
Debt - related party	85,000	73,329
Accrued interest payable - related party	-	24,732
Derivative liability	187,974	-
Deferred tax liabilities - net	13,000	43,599
Total Current Liabilities	1,290,610	610,471
Long Term Debt	150,000	150,000

Total Liabilities	1,440,610	760,471
Stockholders' Equity		
Common stock, par value $0.0001; 100,000,000 shares authorized 24,413,602 and 36,348,830 issued and outstanding, respectively	2,441	3,635
Additional paid in capital	(29,546)	(267,831)
Retained Earnings	873,220	1,381,261
Total Stockholders' Equity	846,115	1,117,065
Total Liabilities and Stockholders' Equity	$ 2,286,725	$ 1,877,536

See accompanying notes to unaudited consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30, 2012 (As Restated)	September 30, 2011 (As Restated)	September 30, 2012 (As Restated)	September 30, 2011 (As Restated)
Sales - net	$ 2,532,257	$ 1,937,985	$ 7,502,263	$ 5,707,894
Cost of sales	1,749,911	1,085,814	5,337,783	2,917,767
Gross profit	782,346	852,171	2,164,480	2,790,127
Selling, general and administrative expenses	1,099,529	946,117	2,708,990	2,920,008
Loss from operations	(317,183)	(93,946)	(544,510)	(129,881)
Other income (expense)				
Change in fair value of derivative liability	40,234	-	56,179	-
Gain on AP and debt forgiveness	-	-	69,298	-
Gain on forgivensss of accrued interest - former related party	-	-	-	12,585
Loss on sale of equipment	-	(2,671)	-	(2,671)
Interest expense	(127,181)	(1,426)	(213,575)	(13,997)
Total other expense	(86,947)	(4,097)	(88,098)	(4,083)
Loss before provision for income taxes	(404,130)	(98,043)	(632,608)	(133,964)
Provision for income taxes				
Current income tax benefit (expense)	26,482	25,795	45,259	(14,748)
Deferred income tax benefit (expense)	55,115	(29,601)	79,308	(50,002)
Total income tax benefit (expense)	81,597	(3,806)	124,567	(64,750)
Net loss	$ (322,533)	$ (101,849)	$ (508,041)	$ (198,714)
Basic and diluted net loss per common share	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding during the period - basic and diluted	29,573,281	35,879,339	34,132,251	35,137,784

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 September 30, 2010
(Unaudited & Restated)

	Common Stock $0.0001 Par Value Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' 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	45,000	5	21,096	-	21,101
Issuance of common stock for services rendered - related party	32,126	3	14,997	-	15,000
Retirement of cancelled shares	(12,208,432)	(1,221)	1,221	-	-
Gain on debt forgiveness - related party	-	-	100,990	-	100,990
Net loss for the nine months ended September 30, 2012	-	-	-	(508,041)	(508,041)
Balance, September 30, 2012 (unaudited, as restated)	24,413,602	$ 2,441	$ (29,546)	$ 873,220	$ 846,115

See accompanying notes to unaudited consolidated financial statements

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

	Nine Months Ended September 30, 2012 (As Restated)	Nine Months Ended September 30, 2011 (As Restated)
Cash Flows From Operating Activities:		
Net loss	$ (508,041)	$ (198,714)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	193,840	30,576
Bad debt	277,659	-
Recognition of stock-based compensation	21,101	483,243
Recognition of stock-based compensation - related parties	15,000	-
Forgiveness of accrued interest - former related party		(12,585)
Amortization of debt issue costs and debt discount	172,052	-
Change in fair value of derivative liability	(56,179)	-
Gain on AP and debt forgiveness	(69,298)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - net	(566,022)	(393,552)
Income tax receivable	(4,819)	-
Inventory	(71,273)	49,990
Prepaids	(1,805)	-
Deposits	(2,871)	(35,704)
Deferred taxes	(79,308)	50,002
Increase (decrease) in:		
Accounts payable and accrued liabilities	426,723	149,350
Deferred rent	22,277	13,100
Income tax payable	(43,344)	2,138
Accrued interest payable - related party	2,929	4,387
Net Cash Provided by (Used in) Operating Activities	(271,379)	142,231
Cash Flows From Investing Activities:		
Purchase of property and equipment	(187,699)	(178,902)
Loss on sale of equipment	-	2,671
Net Cash Used in Investing Activities	(187,699)	(176,231)
Cash Flows From Financing Activities:		
Cash overdraft	(71,380)	-
Proceeds from issuance of debt	540,000	-
Proceeds from issuance of debt - related party	85,000	-
Repayment of debt	(127,344)	(71,780)

Debt issue costs	(52,500)	-
Net Cash Provided by (Used in) Financing Activities	373,776	(71,780)
Net decrease in cash	(85,302)	(105,780)
Cash at beginning of year	88,874	204,336
Cash at end of period	$ 3,572	$ 98,556
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 12,062	$ 11,033
Cash paid for taxes	$ 3,000	$ 12,610
Supplemental disclosures of non-cash financing activities:		
Conversion of accounts payable to notes	$ 153,335	$ -
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 Consolidated Financial Statements
September 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 September 30, 2012 and 2011, originally filed in a Quarterly Report on Form 10-Q with the SEC on November 21, 2012. The Company is also concurrently restating its unaudited 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 and, 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.

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.

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

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

	September 30, 2012						
	As Originally Reported		Adjustments			As Restated	
Assets							
Current Assets							
Cash	$	3,572	$	-		$	3,572
Accounts receivable - net		1,295,198		-			1,295,198
Income tax receivable		3,849		970	A		4,819
Inventory		319951		-			319,951
Prepaids		23,546		-			23,546
Total Current Assets		1,646,116		970			1,647,086
Property and equipment - net		270,654		-			270,654
Other Assets							
Deposits		47,612		-			47,612
Debt issue costs - net		105,051					105,051
Deferred tax assets - net		156, 268		60,054	A		216,322
Total Other Assets		308,931		60,054			368,985
Total Assets	$	2,225,701	$	61,024		$	2,286,725
Liabilities and Stockholders' Equity							
Current Liabilities							
Accounts payable and accrued liabilities	$	515,642	$	-		$	515,642
Deferred rent payable		39,812		-			39,812
Debt - net		449,182		-			449,182
Debt - related parties		85,000		-			85,000
Derivative liability		187,974		-			187,974
Deferred tax liabilities - net		55,268		(42,268	) A		13,000
Total Current Liabilities		1,332,878		(42,268	)		1,290,610
Long Term Debt		150,000		-			150,000
Total Liabilities		1,482,878		(42,268	)		1,440,610

Stockholders' Equity				
Common stock, par value $0.0001; 100,000,000 shares authorized, 35,280,000 and 5,280,000 issued and outstanding		2,441	-	2,441
Additional paid in capital		93,340	(122,886)B	(29,546)
Retained earnings		647,042	226,178 B	873,220
Total Stockholders' Equity		742,823	103,292	846,115
Total Liabilities and Stockholders' Equity	$	2,225,701	$ 61,024	$ 2,286,725

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

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

	Three Months Ended						
	September 30, 2012			September 30, 2011			
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated	As Ori Rep
Sales - net	$ 2,532,257	$ -	2,532,257	$ 1,937,985	$ -	$ 1,937,985	$ 7,50
Cost of sales	1,749,911	-	1,749,911	1,085,814	-	1,085,814	5,33
Gross profit	782,346	-	782,346	852,171	-	852,171	2,16
Selling, general and administrative expenses	1,099,529	-	1,099,529	1,007,418	(61,301) B	946,117	2,70
Loss from operations	(317,183)	-	(317,183)	(155,247)	61,301	(93,946)	(544
Other income (expense)							
Change in fair value of derivative liability	40,234	-	40,234	-	-	-	56,1
Gain on AP and debt forgiveness	-		-	-		-	69,2
Gain on forgivensss of accrued interest - former related party	-		-	-		-	-
Loss on sale of equipment	-		-	(2,671)		(2,671)	-
Interest expense	(127,181)		(127,181)	(1,426)		(1,426)	(213
Total other expense	(86,947)	-	(86,947)	(4,097)		(4,097)	(88,0
Loss before provision for	(404,130)	-	(404,130)	(159,344)	61,301	(98,043)	(632

income taxes									
Provision for income taxes									
Current income tax benefit (expense)	-	26,482	A	26,482	-	25,795	A	25,795	-
Deferred income tax benefit (expense)	39,699	15,416	A	55,115	-	(29,601)	A	(29,601)	39,69
Total income tax benefit (expense)	39,699	41,898		81,597	-	(3,806)		(3,806)	39,69
Net loss	$ (364,431)	$ 41,898		(322,533)	$ (159,344)	$ 57,495		$ (101,849)	$ (592
Basic and diluted loss per share	(0.01)			(0.01)	(0.00)			(0.00)	(0.02
Weighted average number of common shares outstanding during the period - basic and diluted	29,573,281			29,573,281	35,879,539			35,879,339	34,1

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

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

	September 30, 2012			September 30, 2011		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
Cash Flows From Operating Activities:						
Net loss	$ (592,909)	84,868	$ (508,041)	$ (315,867)	117,153	$ (198,714)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation	193,840	-	193,840	30,576	-	30,576
Bad debt	277,659	-	277,659	-	-	-
Recognition of stock-based compensation	21,101	-	21,101	483,243	-	483,243
Recognition of stock-based compensation - related parties	15,000	-	15,000	-	-	-
Forgiveness of accrued interest - former related party				-	(12,585) C	(12,585)
Amortization of intangibles	-	-	-	181,904	(181,904) B	-
Amortization of debt issue costs and debt discount	172,052	-	172,052	-	-	-
Change in fair value of derivative liability	(56,179)	-	(56,179)	-	-	-
Gain on AP and debt	(69,298)	-	(69,298)	-	-	-

forgiveness												
Changes in operating assets and liabilities:												
(Increase) decrease in:												
Accounts receivable - net	(566,022	)	-			(566,022	)	(393,552	)	-		(393,552	)
Income tax receivable	(3,849	)	(970	)	A	(4,819	)	(12,610	)	12,610	A	-	
Inventory	(71,273	)	-			(71,273	)	49,990		-		49,990	
Prepaids	(1,805	)	-			(1,805	)	-		-		-	
Deposits	(2,871	)	-			(2,871	)	(35,704	)	-		(35,704	)
Deferred tax assets - net	-		(79,308	)	A	(79,308	)	-		50,002	A	50,002	
Increase (decrease) in:												
Accounts payable and accrued liabilities	426,723		-			426,723		142,570		6,780	C/D	149,350	
Deferred rent	22,277		-			22,277		13,100		-		13,100	
Income tax payable	(38,754	)	(4,590	)	A	(43,344	)	-		2,138	A	2,138	
Accrued interest payable - related party	2,929		-			2,929		(1,419	)	5,806	C	4,387	
Net Cash Provided by (Used in) Operating Activities	(271,379	)	-			(271,379	)	142,231		-		142,231	
Cash Flows From Investing Activities:												
Purchase of property and equipment	(187,699	)	-			(187,699	)	(176,231	)	(2,671	) E	(178,902	)
Loss on sale of equipment	-		-			-		-		2,671	E	2,671	
Net Cash Used in Investing Activities	(187,699	)	-			(187,699	)	(176,231	)	-		(176,231	)
Cash Flows From Financing Activities:												

Cash overdraft	(71,380)	-	(71,380)	-	-	-
Proceeds from issuance of debt	540,000	-	540,000	-	-	-
Proceeds from issuance of debt - related party	85,000	-	85,000	-	-	-
Debt issue costs	(52,500)	-	(52,500)	-	-	-
Repayment of debt	(127,344)	-	(127,344)	(71,780)	-	(71,780)
Net Cash Provided by (Used in) Financing Activities	373,776	-	373,776	(71,780)	-	(71,780)
Net decrease in cash	(85,302)	-	(85,302)	(105,780)	-	(105,780)
Cash at beginning of year	88,874	-	88,874	204,336	-	204,336
Cash at end of period	$ 3,572	$ -	$ 3,572	$ 98,556	$ -	$ 98,556
Supplemental disclosures of cash flow information:						
Cash paid for interest	$ 12,062	$ -	$ 12,062	$ 6,787	$ 4,246	$ 11,033
Cash paid for taxes	$ 3,000	$ -	$ 3,000	$ 12,610	$ -	$ 12,610
Supplemental disclosures of non-cash financing activities:						
Conversion of accounts payable to notes	$ 153,335	$ -	$ 153,335	$ -	$ -	$ -
Debt discount recorded on convertible debt accounted for as a	$ 244,153	$ -	$ 244,153	$ -	$ -	$ -

derivative liability						
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 of accrued interest - related party
D - Reclassification from accounts payable and accrued liabilities for presentation purposes
E - Reclassification of loss on sale of equipment

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Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 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 September 30, 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, estimated fair value of warrants and derivative liabilities using the Black-Scholes option pricing method and estimates of tax assets and liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the 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 September 30, 2012 and December 31, 2011, respectively, the balances did not exceed the federally insured limit. The Company has no cash equivalents.

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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.

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 nine months ended September 30, 2012 and 2011 as shown below.

	Nine months ended	
Insurance Provider	September 30, 2012	September 30, 2011
A	19%	9%
B	16%	14%
C	12%	10%
D	13%	-
E	-	18%
F	13%	1%

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.

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 nine months ended September 30, 2012 or 2011.

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

Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.

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.

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The following are the major categories of liabilities measured at fair value on a recurring basis as of September 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):

	September 30, 2012	December 31, 2011
Derivative Liabilities (Level 2)	$ 187,974	$ -

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 September 30, 2012 and December 31, 2011, respectively, due to the short-term nature of these instruments.

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 September 30, 2012 and 2011, the Company had 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 nine months ended September 30, 2012 and 2011, the Company had two revenue streams.

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(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 nine months ended September 30, 2012 and 2011 were approximately $6,510,000 (87%) and $5,033,000 (88%), 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 nine months ended September 30, 2012 and 2011 were approximately $992,000 (13%) and $675,000 (12%), 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.

Cost of DME sales is derived from depreciation of DME rentals. All other costs related to sales are expensed as incurred.

Vendor Concentrations

For the nine months ended September 30, 2012 and 2011, the Company had significant vendor concentrations as follows:

Vendor	Nine months ended September 30, 2012	Nine months ended September 30, 2011
A	69 %	20 %
B	16 %	37 %
C	1 %	29 %

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:

Nine months Ended September 30, 2012	Nine months Ended September 30, 2011
$19,153	$52,289

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Stock-Based Payment Arrangements

Generally, all forms of stock-based payments, including warrants, are measured at their fair value on the awards' grant date either using the stock's closing price as quoted on a national market or by 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 September 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; $0.46 at September 30, 2012	1,096,491
Common stock warrants - 15,000; exercise price of $0.40	15,000

Total common stock equivalents	1,486,491

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

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

In connection with the Reverse Merger, 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.

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Note 3 Accounts Receivable

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

	September 30, 2012	December 31, 2011
Gross accounts receivable	$ 1,362,880	$ 1,057,696
Allowance	(67,682)	(50,861)
Accounts receivable – net	$ 1,295,198	$ 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.

For the nine months ended September 30, 2012, the Company wrote off $239,348 of its accounts receivable as bad debt expense. In the first quarter of 2012, Medicare began a standard fraud prevention review processes of almost all the Company's related billings. As a result, the Company experienced much higher than normal initial denial rates and has had to resubmit (appeal) numerous claims. In some cases, this process can take up to 15 months to complete, and although some payments of appealed claims have been received, the Company believes it is more likely than not that a large number of claims will ultimately be uncollectable. However, should payments be later received, the Company will record these payments as other income.

Note 4 Property and Equipment

Property and equipment consisted of the following.

	September 30, 2012	December 31, 2011	Estimated Useful Life
DME rental equipment	$ 223,055	$ 223,685	Life of the lease
Leasehold improvements and fixtures	202,036	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	602,119	537,632	
Less: accumulated depreciation	(331,465)	(260,837)	
Property and equipment – net	$ 270,654	$ 276,795	

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 nine months ended September 30, 2012 and 2011 was $30,464 and $30,576, respectively. Depreciation of DME for the nine months ended September 30, 2012 and 2011 was $158,054 and $51,486 respectively, and was recorded to cost of sales.

Note 5 Debt

Debt consists of the following:

	September 30, 2012	December 31, 2011
A. Convertible debt - Secured	$ 500,000	$ -
Less: debt discount	(141,810)	-
Convertible debt - net	358,190	-
B. Convertible debt - Unsecured	150,000	150,000
C. Notes - Secured	36,327	-
D. Notes – Unsecured	139,665	161,096
Total debt	$ 684,182	$ 311,096
Current portion	$ 449,182	$ 87,767
Current portion – related party	$ 85,000	$ 73,329
Long term portion	150,000	150,000

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The corresponding debts above are more fully discussed below:

(A) Convertible Debt – Secured

During the nine months ended September 30, 2012 the Company issued a secured convertible note for $500,000. The note bears interest of 12% per annum (1% per month), of which 1/2% is paid monthly and 1/2% is accrued and due in a balloon payment at maturity. At September 30, 2012, $12,500 had accrued against this note. 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 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.

(C) Notes - Secured

The Company has two secured one year non-interest bearing notes with a single DME vendor, that mature on January 15, 2013. The notes are secured only by the DME equipment to which the note relates. Secured notes consist of the following:

Balance, December 31, 2011	$-
Reclassification from Accounts Payable to Notes Payable	$80,135
Repayments	(43,808)
Balance, September 30, 2012	$36,327

(D) Notes - Unsecured

The Company has two short term notes (totaling $29,664) with two vendors that bear no interest, both of which are in default; however no default terms are set out in the agreements. The Company also has a note with a related party of $85,000 which bears no-interest and is due on demand and owes $25,000 to an investor, which has gone unclaimed. Unsecured notes consist of the following:

Balance , December 31, 2011	$ 161,096
Reclassification from Accounts Payable to Notes Payable	73,200
Additional borrowings – related party	125,000
Repayments	(83,535)
Debt forgiveness	(62,767)
Debt forgiveness – related party	$ (73,329)
Balance, September 30, 2012	139,665

Of the $125,000 in additional borrowings and the $83,535 in repayments, for the nine months ended September 30, 2012, $40,000 was borrowed from and repaid to the Company's former COO. The remaining $85,000 is borrowed from the Company's current largest shareholder.

Debt forgiveness consisted of a note from the former CEO of Progressive Training (see Note 1); debt forgivingness -related party consisted of a note with an affiliate of the current largest shareholder.

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During the nine months ended September 30, 2012, a party related to a controlling investor of the Company agreed to forgive debt of $73,329 (see above) and accrued interest of $27,661, which was recorded in the aggregate as an addition to paid-in capital.

(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 nine months ended September 30, 2012 the Company incurred debt issue costs and amortization expense of $152,500 and $69,707, respectively. For the nine months ended September 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.

	September 30, 2012	December 31, 2011
Debt issue costs	$ 175,395	$ 22,895
Accumulated amortization of debt issue costs	(70,344)	(636)
Debt issue costs – net	$ 105,051	$ 22,259

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

Year	Amount
2012 (3 months remaining)	$40,362
2013	57,769
2014	6,920
	$105,051

(F) 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.

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

	September 30, 2012	September 30, 2012
Debt discount	$ 244,153	-
Accumulated amortization of debt discounts	(102,343)	-
Debt discount – net	$ 141,810	-

Note 6 Derivative Liabilities

The Company identified a conversion feature embedded within one of its convertible debt instruments 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	(56,179)
Derivative liability – September 30,2012	$ 187,974

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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
Exercise price	$ 0.52	$ 0.46
Expected dividends	0 %	0 %
Expected volatility	119 %	115 %
Expected term	12 months	7 months