

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: _____ to _____

Commission File Number: 001-39199



TRxADE HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-3673928

(I.R.S. Employer
Identification No.)

**2420 Brunello Trace.
Lutz, Florida**

(Address of principal executive offices)

33558

(Zip Code)

Registrant's telephone number, including area code: **(800) 261-0281**

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

Title of each class

Common Stock, \$0.00001 Par Value Per Share

Trading Symbol(s)

MEDS

Name of each exchange on which registered

The NASDAQ Stock Market LLC
(The NASDAQ Capital Market)

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

None.

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

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

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

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

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

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

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

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

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$16,921,890. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company, or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 5% or greater stockholders are, in fact, affiliates of our company, or that there are no other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal stockholders is included or incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

As of March 23, 2023, there were 10,110,878 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2023 annual meeting of stockholders (the "2023 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2023 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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GLOSSARY

The following are abbreviations and definitions of certain terms used in this Report, which are commonly used in the pharmaceutical industry:

"ACA" means the Patient Protection and Affordable Care Act, often shortened to the Affordable Care Act, nicknamed Obamacare, which is a U.S. federal statute which provides numerous rights and protections that make health coverage fairer and easier to understand, along with subsidies (through "[premium tax credits](#)" and "[cost-sharing reductions](#)") to make it more affordable. The law also expands the Medicaid program to cover more people with low incomes.

"ADR" means Authorized Distributor of Record. Under current federal law, an ADR means a distributor with whom a manufacturer has established an ongoing relationship to distribute such manufacturer's products.

"ANDA" means an abbreviated new drug application which contains data which is submitted to the FDA for the review and potential approval of a generic drug product.

"CMS" means the Centers for Medicare & Medicaid Services, which is a federal agency within the HHS that administers the Medicare program and works in partnership with state governments to administer Medicaid.

"CSA" means the Controlled Substances Act, the statute establishing federal U.S. drug policy under which the manufacture, importation, possession, use, and distribution of certain substances is regulated.

"DEA" means the Drug Enforcement Administration, a United States federal law enforcement agency under the United States Department of Justice, tasked with

combating drug trafficking and distribution within the United States.

"DQSA" means the Drug Quality and Security Act which is a law that amended the FFDCA to grant the FDA more authority to regulate and monitor the manufacturing of compounded drugs.

"EUA" means an Emergency Use Authorization filed with the FDA. Under section 564 of the FFDCA, the FDA Commissioner may allow unapproved medical products or unapproved uses of approved medical products to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases or when there are no adequate, approved, and available alternatives.

"FDA" means U.S. The Food and Drug Administration, which is a federal agency of the United States Department of Health and Human Services. The FDA is responsible for protecting the public health by ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, and medical devices; and by ensuring the safety of U.S. food supply, cosmetics, and products that emit radiation.

"FDAAA" means the Food and Drug Administration Amendments Act of 2007 which reviewed, expanded, and reaffirmed several existing pieces of legislation regulating the FDA.

"FFDCA" means the Federal Food, Drug and Cosmetic Act, which is a set of U.S. laws passed by Congress in 1938 giving authority to the FDA to oversee the safety of food, drugs, medical devices, and cosmetics.

"Generic drugs" are copies of brand-name drugs that have exactly the same dosage, intended use, effects, side effects, route of administration, risks, safety, and strength as the original drug.

"Health plan" means health insurance coverage provided by an individual or group that provides or pays the cost of medical care. Health plans can be provided by public (Medicaid) or private (an employer) entities.

"HHS", the U.S. Department of Health and Human Services also known as the Health Department, is a cabinet-level department of the U.S. federal government with the goal of protecting the health of all Americans and providing essential human services.

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"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, which has the goal of making it easier for people to keep health insurance, protect the confidentiality and security of healthcare information and help the healthcare industry control administrative costs.

"Individually identifiable health information" is defined by HIPAA to mean information that is a subset of health information, including demographic information collected from an individual, and: (1) is created or received by a health care provider, health plan, employer, or health care clearinghouse; and (2) relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and (a) that identifies the individual; or (b) with respect to which there is reasonable basis to believe the information can be used to identify the individual.

"Medicaid" is a federal and state health insurance program in the U.S. that helps with medical costs for some people with limited income and resources. Medicaid also offers benefits not normally covered by Medicare, including nursing home care and personal care services.

"Medicare" is a national health insurance program in the U.S. It primarily provides health insurance for Americans aged 65 and older, but also for some younger people with disability status as determined by the Social Security Administration, as well as people with end stage renal disease and amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease).

"NDC" means a National Drug Code, a unique 10-digit, 3-segment number. It is a universal product identifier for human drugs in the United States. The code is present on all non-prescription (OTC) and prescription medication packages and inserts in the U.S. The 3 segments of the NDC identify the labeler, the product, and the commercial package size.

"PBM" means a Pharmacy Benefits Manager. In the United States, a PBM is a third-party administrator of prescription drug programs for commercial health plans, self-insured employer plans, Medicare Part D plans (prescription drug plans), the Federal Employees Health Benefits Program, and state government employee plans.

"PDMA" means the Prescription Drug Marketing Act of 1987. The PDMA establishes legal safeguards for prescription drug distribution to ensure safe and effective pharmaceuticals and is designed to discourage the sale of counterfeit, adulterated, misbranded, subpotent, and expired prescription drugs.

"Pedigree tracking laws" mean laws which help ensure the integrity of the U.S. drug supply chain through the use of drug pedigrees, verifiable written or electronic documents that track each move in a drug's journey from manufacturer to patient.

"PPE" means personal protective equipment, which is worn to minimize exposure to hazards that cause serious workplace injuries and illnesses. When used below, PPE typically refers to protective equipment used by medical personnel, including masks, sanitizers and gloves.

"Rebates" these are provided by manufacturers and are typically based on the ability of a payer to move market share for the manufacturer's product. Rebates are confidential.

"SNI" means Serialized Numerical Identifier. Pursuant to FDA requirements, a product's SNI has to include the item's NDC and unique Serial Number (SN).

"Wholesaler" typically, the wholesaler is the first purchaser of a drug product – direct from the manufacturer. Wholesalers buy large quantities and then resell either direct to provider-purchasers (like a large health system, pharmacy or pharmacy chain), or resell to smaller, regional distributors for regional or local distribution to retail pharmacies and hospitals.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this "Report") contains statements that constitute forward-looking statements which are subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some of the statements in this Annual Report constitute forward-looking statements because they relate to future events or our future performance or future financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our company, our industry, our beliefs and our assumptions. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. In some cases, you can identify forward-looking

statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," or the negative of these terms or other similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These factors include those set forth below and those disclosed under "Risk Factors", below. Forward-looking statements in this Annual Report may include, for example, statements about:

- Risks of our operations not being profitable;
- Claims relating to alleged violations of intellectual property rights of others;
- Technical problems with our websites;
- Risks relating to implementing our acquisition strategies;
- Our ability to manage our growth;
- Negative effects on our operations associated with the opioid pain medication health crisis;
- Regulatory and licensing requirement risks;
- Risks related to changes in the U.S. healthcare environment;
- The status of our information systems, facilities and distribution networks;
- Risks associated with the operations of our more established competitors;
- Regulatory changes;
- Healthcare fraud;

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- The continued effects of COVID-19, governmental responses thereto, economic downturns and possible recessions caused thereby;
- Inflation, rising interest rates, governmental responses thereto and possible recessions caused thereby;
- Changes in laws or regulations relating to our operations;
- Privacy laws;
- System errors;
- Dependence on current management;
- Our growth strategy; and
- Other risks disclosed below under, and incorporated by reference in, "Risk Factors".

The forward-looking statements contained in this Annual Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements.

These risks and uncertainties include, but are not limited to, those factors described under the section of this Annual Report entitled "Risk Factors". Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

We use words such as "anticipates," "believes," "expects," "intends," "seeks," "plans," "estimates," "targets" and similar expressions to identify forward-looking statements. The forward-looking statements contained in this Annual Report involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Part I — Item 1A. Risk Factors" in this Annual Report.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statements in this Annual Report should not be regarded as a representation by us that our plans and objectives will be achieved.

We have based the forward-looking statements included in this Annual Report on information available to us on the date of this Annual Report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this Annual Report, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we may file in the future with the Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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PART I

ITEM 1. BUSINESS

INTRODUCTION

This information included in this Annual Report on Form 10-K should be read in conjunction with the consolidated financial statements and related notes in "Item 8. Financial Statements and Supplemental Data" of this Report.

Please see the "Glossary" above for a list of abbreviations and definitions used throughout this Report.

Our logo and some of our trademarks and tradenames are used in this Report. This Report also includes trademarks, tradenames and service marks that are the property of others. Solely for convenience, trademarks, tradenames and service marks referred to in this Report may appear without the ®, ™ and SM symbols. References to our trademarks, tradenames and service marks are not intended to indicate in any way that we will not assert to the fullest extent under applicable law our rights or the rights of the applicable licensors if any, nor that respective owners to other intellectual property rights will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

The market data and certain other statistical information used throughout this Report are based on independent industry publications, reports by market research firms or other independent sources that we believe to be reliable sources. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We are responsible for all of the disclosures contained in this Report, and we believe these industry publications and third-party research, surveys and studies are reliable. While we are not aware of any misstatements regarding any third-party information presented in this Report, their estimates, in particular, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those discussed under the section entitled "Risk Factors" beginning on page 19 of this Report. These and other factors could cause our future performance to differ materially from our assumptions and estimates. Some market and other data included herein, as well as the data of competitors as they relate to TRxADE HEALTH, INC., is also based on our good faith estimates.

Our fiscal year ends on December 31st. Interim results are presented on a quarterly basis for the quarters ended March 31st, June 30th, and September 30th, the first quarter, second quarter and third quarter, respectively, with the quarter ending December 31st being referenced herein as our fourth quarter. "Fiscal 2022" means the Fiscal year ended December 31, 2022, whereas Fiscal 2021 means the year ended December 31, 2021.

Unless the context requires otherwise, references to the "Company," "we," "us," "our," "Trxade," "Trxade Group" and "TRxADE HEALTH, INC." refer specifically to TRxADE HEALTH, INC. and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this Report only:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

Where You Can Find Other Information

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov> and are available for download, free of charge, soon after such reports are filed with or furnished to the SEC, on the "NASDAQ: MEDS," "SEC Filings" page of our website at www.rxtrxade.com. Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report. Our website addresses are www.rxtrxade.com, www.trxadegroup.com, www.rxtrxade.com, www.bonumhealth.com, www.comsprx.com, and www.rxintegra.com. Information on our websites is not incorporated by reference into this Form 10-K. The information on, or that may be accessed through, our website is not incorporated by reference into this Report and should not be considered a part of this Report.

CORPORATE AND ORGANIZATIONAL HISTORY

Background of XCEL

Our Company was incorporated in Delaware on July 15, 2005, as "Bluebird Exploration Company" ("Bluebird"). Bluebird was originally formed to engage in the exploitation of mineral properties. In December 2008, Bluebird changed its name to "Xcellink International, Inc." ("XCEL"), and subsequently announced that its business plan was being expanded to include the development and marketing of platform-independent customer-centric payment systems and methodologies. XCEL was unable to raise the funds necessary to implement its business strategy, never generated any revenue and was reporting as a "shell" corporation. On January 9, 2014, Trxade Group, Inc., a privately held Nevada corporation, merged with and into XCEL, and XCEL changed its name to "Trxade Group, Inc." On June 1, 2021, the Company changed its name from "Trxade Group, Inc." to "TRxADE HEALTH, INC."

Background of Trxade

PharmaCycle LLC, a Nevada limited liability company ("PharmaCycle"), was formed in August 2010 by Prashant Patel, our President, to serve as a web-based market platform designed to enable trading among healthcare buyers and sellers of pharmaceuticals, accessories and services. In January 2013, PharmaCycle converted into a Florida corporation and changed its name to Trxade, Inc. ("Trxade Florida"). In May 2013, Trxade Florida created a new wholly-owned subsidiary, Trxade Group, Inc., a Nevada corporation ("Trxade Nevada"). Trxade Nevada acquired Trxade Florida pursuant to a reverse triangular merger, resulting in Trxade Florida becoming a wholly-owned subsidiary of Trxade Nevada (the "Nevada-Florida Merger"). The sole purpose of the Nevada-Florida Merger was to provide for a holding company to own Trxade Florida, the operating company. At all times, up to the Nevada-Florida Merger, Trxade Florida was capitalized exclusively by cash capital contributions from Messrs. Suren Ajarapu and Patel, our Chief Executive Officer and President, respectively. Immediately following the Nevada-Florida Merger, Messrs. Ajarapu and Patel collectively owned 99% of Trxade Nevada. After the Nevada-Florida Merger (but prior to the merger with XCEL), Trxade Nevada raised \$670,000 through the sale of its preferred stock in private placements made to third party investors.

Reverse Merger with Trxade

On September 26, 2008, Mark Fingarson, the former President, sole Director and controlling shareholder of XCEL, sold 80,000,000 shares of XCEL (prior to the Merger Reverse Split and Reverse Stock Split (each discussed and defined below)) to XCEL's then attorney, Ron McIntyre. On November 22, 2013, Trxade Nevada acquired Mr. McIntyre's controlling interest of 80,000,000 shares in XCEL pursuant to a Purchase and Sale Agreement dated November 7, 2013. At the time of the sale, XCEL had 104,160,000 shares of common stock issued and outstanding, including the 80,000,000 shares of stock acquired by Trxade Nevada (prior to the Merger Reverse Split and Reverse Stock Split (each discussed and defined below)).

On December 16, 2013, Trxade Nevada and XCEL entered into a definitive merger agreement (the "Merger Agreement") providing for the merger (the "Merger") of Trxade Nevada with and into XCEL, with XCEL continuing as the surviving corporation. The Merger closed on January 8, 2014. Under the terms of the Merger Agreement, we amended our certificate of incorporation and changed our name to "Trxade Group, Inc." and changed our trading symbol to "TRXD".

Recapitalization of Common Stock by a Reverse Split and Increase of Authorized Shares of Stock

We also reversed our issued and outstanding stock at the ratio of one for one thousand (1:1,000) shares effective upon the closing of the Merger (the "Merger Reverse Split"). In connection with the Merger Reverse Split, 104,160,000 outstanding shares of our common stock, including the 80,000,000 shares held by Trxade Nevada, were exchanged for 104,160 post-Merger Reverse Split shares of common stock. As a result of the Merger, Trxade Nevada stockholders holding 28,800,000 shares of common stock and 670,000 shares of Series A Preferred Stock converted their shares on a one-to-one basis into 28,800,000 shares of our common stock and 670,000 shares of our Series A Preferred Stock, for an aggregate total of 29,470,000 shares. Further, 100,000 shares of our common stock (on a post-Reverse Split basis and considering the Reverse Stock Split (discussed below)) were issued following the Merger in connection with the conversion of our promissory notes. The 80,000,000 pre-Merger shares held by Trxade Nevada, which amounted to 13,334 shares (on a post-Reverse Split basis and taking into account the Reverse Stock Split), reverted to treasury stock of the Company. Except as otherwise disclosed, the share amounts in the paragraph above have not been adjusted for the Merger Reverse Split or the Reverse Stock Split.

February 2020 Reverse Stock Split and NASDAQ Capital Market Listing

On October 9, 2019, our Board of Directors, and on October 15, 2019, stockholders holding a majority of our outstanding voting shares, approved resolutions authorizing a reverse stock split of the outstanding shares of our common stock in the range from one-for-two (1-for-2) to one-for-ten (1-for-10), and provided authority to our Board of Directors to select the ratio of the reverse stock split in their discretion (the "Stockholder Authority"). On February 12, 2020, the Board of Directors of the Company approved a stock split ratio of 1-for-6 ("Reverse Stock Split") in connection with the Stockholder Authority and the Company filed a Certificate of Amendment with the Secretary of State of Delaware to affect the Reverse Stock Split. The Reverse Stock Split became effective at 12:01 a.m. Eastern Standard Time on February 13, 2020. The Reverse Stock Split was completed in order to allow us to meet the initial listing criteria of The NASDAQ Capital Market.

Subsidiaries

We own 100% of Trxade Inc. (a Florida corporation). This subsidiary is included in our attached consolidated financial statements and is engaged in the same line of business as Trxade. Trxade Inc. is a web-based market platform that enables commerce among healthcare buyers and sellers of pharmaceuticals, accessories and services.

We own 100% of Integra Pharma Solutions, LLC (formerly Pinnacle Tek, Inc., a Florida corporation) founded by Mr. Suren Ajarapu, our CEO, in 2011 ("Integra"). Until the end of 2016, Integra served as our technology consultant provider, but we discontinued that line of business in 2016. Integra now serves as our logistics company for pharmaceutical distribution.

We own 100% of Community Specialty Pharmacy, LLC, an independent retail specialty pharmacy with a focus on specialty medications.

We own 100% of Alliance Pharma Solutions, LLC (d.b.a. DelivMeds), a Florida limited liability company, which was founded in January 2018 ("Alliance"). Alliance previously owned 30% of SyncHealth MSO, LLC ("SyncHealth") which was part of a joint venture formed in January 2019 with PanOptic Health, LLC ("PanOptic") with the goal of enabling independent retail pharmacies to better compete with large national pharmacies on pricing, distribution and logistics. We did not realize any income from the joint venture, and we terminated the joint venture agreements pursuant to their terms effective as of January 31, 2020, and assigned the 30% ownership of SyncHealth back to PanOptic. As of February 1, 2020, we own no equity in SyncHealth and only the terms of the agreements relating to confidentiality, non-solicitation and each party's obligation to cease use of the other party's intellectual property survive the termination.

We own 100% of Bonum Health, LLC, a Delaware limited liability company which owns our "Bonum Health Hub" assets and operations as discussed in further detail below.

We previously owned 100% of MedCheks, LLC, a Delaware limited liability company which was formed in January 2021, had no revenue in 2021 and was dissolved in December 2021.

We previously owned 100% of PharmCentrix, LLC, a Delaware limited liability company which had no revenue in 2020 and was dissolved in December 2020.

In February of 2022 we entered into an agreement with Exchange Health to own 51% of SOSRx, LLC a Delaware limited liability company. In December of 2022 management determined that the subsidiary did not generate significant revenue and the assets were 100% impaired. In February of 2023 we voluntarily withdrew from the agreement with Exchange Health.

Acquisition of Community Specialty Pharmacy, LLC

On October 15, 2018, the Company entered into and consummated the purchase of 100% of the equity interests of Community Specialty Pharmacy, LLC, a Florida limited liability company, ("CSP"), pursuant to the terms and conditions of the Membership Interest Purchase Agreement, entered into by and among the Company as the buyer, and CSP, and Nikul Panchal, the equity owner of CSP, a non-executive officer of the Company (collectively, the "Seller"). The purchase price for the 100% equity interest in CSP was \$300,000 in cash, a promissory note issued by the Company in the amount of \$300,000, and warrants to purchase 67,585 shares of common stock of the Company (on a post-Reverse Split basis and taking into account the Reverse Stock Split) of which 33% of such warrants were revocable by the Company prior to October 15, 2019 (but were not revoked); 33% were revocable by the Company prior to October 15, 2020 (but were not revoked); and the remaining 33% of such warrants are revocable by the Company prior to October 15, 2021 (which were revoked on September 23, 2021), which are exercisable for eight (8) years from the issuance date at a strike price of \$0.06 per share. As of the date of this Report, there are no warrants to purchase shares of common stock remain outstanding in connection with the purchase.

SyncHealth MSO, LLC Joint Venture

On January 17, 2019, the Company and Alliance Pharma Solutions, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company (hereafter "Alliance," with Alliance and Trxade referred to collectively herein as the "Trxade Parties"), entered into a transaction effective as of January 17, 2019 with PanOptic Health, LLC, a Delaware limited liability company ("PanOptic"), to create a new entity, SyncHealth MSO, LLC ("SyncHealth") as part of a joint venture to enable independent retail pharmacies to better compete with large national pharmacies on pricing, distribution and logistics. As part of the transaction Alliance owned 30% of SyncHealth. We did not realize any income from the joint venture, and we terminated the joint venture agreements pursuant to their terms effective as of January 31, 2020, and assigned the 30% ownership of SyncHealth back to PanOptic. As of February 1, 2020, we own no equity in SyncHealth and only the terms of the agreements relating to confidentiality, non-solicitation and each party's obligation to cease use of the other party's intellectual property survive the termination.

Bonum Health Asset Acquisition

On October 23, 2019, Bonum Health, LLC, a Delaware limited liability company, and a wholly-owned subsidiary of the Company ("Bonum Health") entered into an Asset Purchase Agreement with Bonum Health, LLC, a Florida limited liability company ("Seller") and the sole member of the Seller (the "Member"). Pursuant to the Asset Purchase Agreement, the Company (through Bonum Health) acquired from the Seller, certain specified assets and certain specified contracts associated with the assets of the Seller's operation as a telehealth service provider (the Tele Meds Platform)(the "Assets"). Included with the acquisition of the Assets, were contracts (relating to the Assets), intellectual property for the Bonum Health Tele Medicine software & technology and personal computers. The Company agreed to provide the Seller consideration equal to 41,667 shares of restricted common stock of the Company at the closing, and the Seller had the right to earn up to an additional 108,334 shares of restricted common stock of the Company in the event certain milestones were met within the first anniversary of the Closing date, none of which were met.

The Asset Purchase Agreement includes a three year non-compete requirement, prohibiting the Seller and the Member from competing against the Assets, customary representations and indemnification obligations, subject to a \$25,000 minimal claim amount and certain limitations on liability disclosed in the Asset Purchase Agreement.

Subsequent to the acquisition, the Company determined that the assets were not usable and wrote off the value of the assets amounting to approximately \$369,000.

BUSINESS OF TRXADE

Company Overview

We are a health services IT company focused on digitalizing the retail pharmacy experience by optimizing drug procurement, the prescription journey and patient engagement in the U.S. and have designed and developed, and now own and operate, a business-to-business web-based marketplace. Our core service brings the nation's independent pharmacies, accredited national suppliers, and manufacturers of pharmaceuticals together to provide efficient and transparent buying and selling opportunities.

We began operations as Trxade Group, Inc., a Nevada corporation ("Trxade Nevada") in August of 2010 and spent over two years creating and enhancing our web-based

services. The Company changed its name on June 1, 2021, from "Trxade Group, Inc" to "TRxADE HEALTH, INC." Our services provide pricing transparency, purchasing capabilities and other value-added services on a single platform focused on serving the nation's approximately 19,397 independent pharmacies with annual purchasing power of \$67.1 billion (according to the National Community of Pharmacists Association's 2021 Digest). Our national wholesale supply partners and manufacturers are able to fulfill orders on our platform in real-time and provide pharmacies and wholesale suppliers with cost-saving payment terms and next-day delivery capabilities in unrestricted states. We have expanded significantly since 2015 and now serve approximately 14,400+ registered members on our sales platform.

Our Principal Products and Services and their Markets

Trxade.com is a web-based pharmaceutical marketplace engaged in promoting and enabling commerce among independent pharmacies, small chains, hospitals, clinics, and alternate dispensing sites with large pharmaceutical suppliers nationally. Our marketplace has over 60 national and regional pharmaceutical suppliers providing over 120,000 branded and generic drugs, including over-the-counter drugs (OTCs), and drugs available for purchase by pharmacists. We serve approximately 14,400+ registered members, providing access to Trxade's proprietary pharmaceutical database and data analytics regarding medication pricing. We generate revenue from these services by charging a transaction fee to the seller of the products for sales conducted via the Trxade platform. The buyers do not bear the cost of transaction fees for the purchases that they make, nor do they pay a fee to join or register with our platform. Substantially all of our revenues during Fiscal 2022 and Fiscal 2021, were from platform revenue generated on www.rxtrxade.com, product sales through Integra Pharma Solutions, LLC, and prescription sales through Community Specialty Pharmacy, LLC.

Status of current and new or enhanced products and services

We have a number of products and services in operation and others still under development, which are described below.

Integra Pharma Solutions, LLC. Integra is intended to serve as our logistics company for pharmaceutical distribution.

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Community Specialty Pharmacy, LLC. We acquired Community Specialty Pharmacy, LLC, a Florida limited liability company ("CSP"), on October 15, 2018. CSP is an accredited pharmacy located in St. Petersburg, Florida, which focuses on specialty medications and operates with an innovative pharmacy model that offers home delivery services to any patient thereby providing convenience.

Delivmeds.com. *Delivmeds.com* was launched in late 2018 as a consumer-based app to provide delivery of pharmaceutical products associated with Alliance Pharma Solutions, LLC. We are currently working on reformulating the application from a prescription delivery portal to a fully integrated, interoperable, end-to-end prescription delivery and medication adherence tool. The new product has been rebranded and is targeted for consumer re-release and use in the near future. To date, we have not generated any revenue from this product.

Trxade Prime. Trxade Prime allows pharmacy members on the Trxade platform to process, consolidate and ship purchase orders that are placed directly with Trxade suppliers via the Trxade Prime. This service is provided at no cost, with the goal of offering a single tool with one low order minimum, one invoice, one package and one delivery from multiple quality wholesalers and distributors. Revenue has been generated from this service through our Integra subsidiary, which provides the consolidation of the orders.

Bonum Health Hub and Application. The "**Bonum Health Hub**", a self-enclosed, free-standing virtual examination room, was launched by the Company's wholly-owned Bonum Health, LLC subsidiary, in November 2019 and was expected to be operational in April 2020; however, due to the COVID-19 pandemic, the Company does not anticipate installations moving forward, and has taken a write off of the hubs purchased at June 30, 2021 in the amount of \$143,891, which is included under loss on inventory investments in the statement of operations for Fiscal 2021.

The "**Bonum Health app**," which provides an overall healthcare experience comparable to a Primary Care practitioner, and an online portal as a personal electronic medical record and scheduling system is available on a subscription basis, primarily as a stand-alone telehealth software application that can be licensed on a business-to-business (B2B) model to clients as an employment health benefit for the clients' employees. Revenue has been generated from this service through our Bonum subsidiary.

Bonum+ Business to Business (B2B). Bonum+ bundles telehealth, a COVID-19 risk assessment tool and a Personal Protective Equipment (PPE) purchasing tool, through a secure mobile dashboard for corporate clients. The B2B platform eases pressure on employees who are required to report any relevant health issues daily, centralizing communication and contact tracing to deliver risk scores. This allows employers to monitor employee COVID-19 risk profiles and streamlines the ordering of new PPE as needed. An integrated artificial intelligence (AI) tool offers health recommendations and connects employees with board certified physicians, as needed. To date, we have not generated any revenue from this product.

MedCheks Health Passport. The Health Passport is a patient-centered, digital, precision healthcare platform that lets patients consolidate and control their health data via a digital Health Passport and allows them to share their health profile, tests and vaccinations simply and safely. Secured in a blockchain, the Health Passport includes health and vaccination status verification via a QR code, which is available for travel, entry into stadiums, concert venues, events, offices, industrial plants, warehouses, and other physical access points. The Passport stores all of a user's health records securely in one place. We have not generated any revenue from this product to date and the product was discontinued at the end of December 2021. We previously owned 100% of MedCheks, LLC, a Delaware limited liability company which was formed in January 2021, had no revenue in 2021 and was dissolved in December 2021.

SOSRx, LLC. On February 15, 2022, the Company entered into a relationship with Exchange Health, LLC, a technology company providing an online platform for manufacturers and suppliers to sell and purchase pharmaceuticals ("**Exchange Health**"). SOSRx LLC, a Delaware limited liability company ("**SOSRx**"), was formed, which is owned 51% by the Company and 49% by Exchange Health. SOSRx did not generate material revenue and in February of 2023, subsequent to Fiscal 2022, the Company voluntarily withdrew from the joint venture agreement. The asset impairment is reflected in the statement of operations for Fiscal 2022 as impairment of intangible asset. Additionally, the Company contributed a cash investment of \$275,000 in February of 2022 when the joint venture was formed. The Company did not recover this investment as part of the withdrawal settlement.

All of our product offerings are focused on the United States markets. Some products are restricted just to certain states, depending upon the various applicable state regulations and guidelines pertaining to pharmaceuticals, particularly, and drug businesses, generally. Our services are distributed through our online platform.

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Organizational Structure

The diagram below depicts our current organizational structure:



The Pharmaceutical Industry

According to the *NCPA 2020 Digest Report*, United States pharmaceutical companies comprise a burgeoning estimated \$685 billion industry by 2023, consisting of over 65,000 pharmacy facilities. Management believes that few platforms are currently in place to bring these participants together to share market knowledge, product pricing transparency and product availability. According to this, the pharmaceutical market is comprised primarily of three wholesalers that control an estimated approximately 92% of the market. Our management believes that this concentration has, over the years, led to a lack of price and cost transparency, thereby resulting in severe limitations on the purchasing choices of industry participants. These market dynamics have enabled these large wholesalers (McKesson, Cardinal Health and AmerisourceBergen), known as ADR distributors, to dominate the industry with respect to both generic and brand pharmaceuticals.

To fuel this change, insurance companies (Pharmacy Benefits Management ("PBM") and private health payers) and the federal government have initiated lower medication reimbursement payments to healthcare providers. We believe that pharmacies face increasing pressure to source medications as inexpensively as possible and improve operational efficiency. Trxade seeks to be in the forefront of solving these transparency and pricing concerns by providing independent, retail pharmacies with real-time, pharmacy acquisition cost ("PAC") benchmarks to the National Drug Code (the "NDC") standard. The NDC mark is a unique product identifier used in the United States for drugs intended for human use.

Competitive Business Conditions, Our Competitive Position in our Industry, and our Methods of Competition

We expect to face competition from the three large ADR distributors (McKesson, Cardinal Health and AmerisourceBergen), other pharmaceutical distributors, buying groups, software products, and other start-up companies. Most of our competitors' operations have substantially greater financial- and manufacturer-backed resources, longer operating histories, greater name recognition, and more established relationships in the industry.

Other Start-up Companies Which Provide Competitive Services

We have identified start-ups that provide for supplier-pharmacy trading such as PharmaBid, RxCherrypick, PharmSaver, MatchRx and GenericBid, and provide web-based services similar to ours, allowing pharmacies to buy from several suppliers. Trxade differentiates itself from these exchanges by providing our pharmacies with both brand and generic pharmaceutical products. Additional companies target "direct-to-consumer" pharmacy deliveries, including *Amazon.com's PillPack*, *Capsule*, *Costplusdrugs*, and *GetRoman.com*.

Buying Groups

Buying Groups provide discounted prices to their members by negotiating better pricing with one primary wholesaler, while charging administrative fees generally ranging from 3 to 5 percent. Some Buying Groups are structured like co-operatives (such as Independent Pharmacy Cooperative (IPC) and American Pharmacy Cooperative, Inc. (APCI)) and offer their members monthly or quarterly rebates. Although they can function well to bring pricing competition to the industry, they often offer rebates only after the purchase. Management does not believe Buying Groups will provide long-term savings to customers with this model given the increased transparency and competition in the industry.

Pharmaceutical Software

Some pharmaceutical software companies compete with us to varying degrees at different levels. SureCost, for example, provides inventory management software enabling pharmacies to comply with primary supplier contracts. This software is fee-based and requires training.

Pharmacies may be reluctant to buy pharmaceuticals on the internet due to the historical negativity and uncertainty with respect to the origin and purity of drugs purchased off the web. Trxade management believes that as we continue to develop our brand, our customer base, and our vast product offerings, we will gain the trust of the market and overcome the negativity associated with purchasing via a pharmaceutical online marketplace.

One advantage that we believe we have over our competition is our ability to be flexible and fast moving in adjusting our business model to address the needs of our customer base. Trxade started by offering pharmacies a reverse auction model to enhance savings on the purchase of their pharmaceuticals. Customer feedback suggested that pharmacies prefer a more "buy now" format, which we implemented. This resulted in a "one-stop-one-search" platform to buy quality pharmaceuticals for less and a data-rich platform to help pharmacies overcome the complexities related to supply chain purchasing.

Telehealth Providers

We also anticipate facing competition in the telehealth industry (in connection with Bonum Health) from current and future health care companies in the telehealth market including, Teladoc Health, Inc., MDLive, Inc., American Well Corporation and Grand Rounds, Inc., among other smaller industry participants.

Sources and Availability of Raw Materials; Principal Suppliers

Trxade is a web-based technology platform. Because we are not a manufacturing company, we do not need any raw materials. Our module on the platform is drug supplier-to-retailer. We bring buyers and sellers together on this platform. Our suppliers include National Apothecary Solutions, Integral RX, and South Pointe Wholesale, Inc.

Dependence on One or More Major Customers

As of the date of this filing, we have approximately 14,400+ registered members and over 30 pharmaceutical suppliers as customers, with an estimated market potential of approximately 20,000+ independent pharmacies and 1,500 regional and local suppliers. We have a working relationship with over 25 wholesalers and the nation's largest buying group. Although we believe those entities are satisfied with their business relationship with Trxade, if our buying group and two or three of the largest wholesalers decided no longer to do business with Trxade, the resulting supplier void would materially and adversely affect our competitiveness in the marketplace.

Intellectual Property

Although we believe that our name and brand are protected by applicable state common law trademark laws, we do not currently have any patents, concessions, licenses, royalty agreements, or franchises, provided that we do currently maintain a number of registered trademarks and our pharmaceutical pricing benchmarks, PAC. Our business operates under a proprietary software system which includes trade secrets within our database, business practices and pricing model. We also maintain a number of websites.

We believe that we have taken all necessary steps to protect our proprietary rights, but no assurance can be given that we will be able to successfully enforce or protect our rights in the event that they are infringed upon by a third party.

Need for Government Approval of Products and Services

We are required to hold business licenses and to follow applicable state and federal government regulations detailed herein. In October 2018, we acquired Community Specialty Pharmacy, LLC, an accredited independent retail pharmacy with a focus on specialty medications, which requires state approval, which have been obtained in 36 states.

Effect of Existing or Probable Government Regulations on the Business

Inflation Reduction Act of 2022

On August 16, 2022, President Joe Biden signed into law the Inflation Reduction Act of 2022, lowering the cost of prescription drugs. The law will also phase in a cap for out-of-pocket costs for prescriptions and establish a \$35 monthly cap per prescription for insulin covered by a Medicare prescription drug plan and insulin delivered through traditional pumps. Other items included in the law provide for \$0 out-of-pocket expense for certain adult vaccines including the shingles vaccine, Medicare rebates to be paid by companies to Medicare beneficiaries if the increase drug prices at a rate larger than the rate of inflation, and also allows the Secretary of HHS the power to negotiate prices for select high-cost prescription drugs for Medicare beneficiaries. These restrictions to out-of-pocket expenses, monthly caps, and control of prescription drug prices may be too significant for many smaller suppliers and pharmacies to overcome.

The Ryan Haight Act

On April 6, 2009, the Drug Enforcement Administration ("DEA") published the interim final rule of the Ryan Haight Online Pharmacy Consumer Protection Act of 2008 (The Act"), the final rule was effective October 30, 2020. The Act requires an in-person medical evaluation for prescribing practitioners and modified registration requirements for online pharmacies that distribute controlled substances. The Act also assigns responsibility to distributors to avoid supplying pharmacies that service customers of inappropriate websites and requires distributors to have responsibility to know pharmacy buying patterns and to confirm their compliance with modified pharmacy registration requirements. The burden of the additional cost to online pharmacies to comply with the modified registration requirements may be too much and the risks to distributors to supply controlled substances to pharmacies that have websites may be too great.

Proposed Rule by DEA on 11/17/2021 re: Regulation of Telepharmacy Practice

On November 17, 2021, the DEA published advanced notice of proposed rulemaking to obtain further information regarding the practice of telepharmacy. Telepharmacy is not specifically defined by the Controlled Substances Act ("CSA") or DEA regulations. However, to the extent that telepharmacies dispense controlled substances, they are under the purview of the CSA and DEA. The DEA has opened the comment period to January 18, 2022, to obtain information in an effort to be fully informed about the practice, industry, and state regulation of telepharmacy. New regulations could have an impact on pharmacies and could affect our business.

Federal Drug Administration Guidelines

On April 12, 1988, President Ronald Reagan signed into law the Prescription Drug Marketing Act of 1987 (PDMA), setting the baseline for wholesale distribution regulations. The final regulations were published in 1999, establishing the minimum wholesale distribution requirements for state licensure. With the intent to prevent the introduction and retail sale of substandard, ineffective, or counterfeit drugs into the distribution system, state licensing systems moved to update their standards to match those provided federally as guided under FDA's Guidelines for State Licensing of Wholesale Prescription Drug Distributors (21 CFR 205). PDMA established minimum federal pedigree requirements to trace the ownership of prescription drugs through the supply chain. The principal goal of the PDMA was to further secure the nation's drug supply from counterfeit and substandard prescription drugs. The law establishes two types of distributors: "Authorized distributor[s] of record" or ADRs; and "Unauthorized distributor[s]," such as wholesalers. The pedigree requirement was to require each person engaged in the wholesale distribution of a prescription drug in interstate commerce, who is not the manufacturer or an authorized distributor of record for that drug, to provide a pedigree to the recipient. After meeting resistance from various stakeholders, the FDA delayed the effective date of the regulations several times, until final implementation in December 2006.

At the federal level the implementation of the track and trace legislation which went into effect in 2018, requires the use of pharmaceutical pedigree to track the movement of pharmaceuticals along the supply chain. The costs of complying with this new legislation may be too burdensome for many of the smaller suppliers.

State Drug Administration Guidelines

There are a number of national and state-wide regulations that have an effect on our business. All drug wholesalers must be licensed under state licensing systems, which must in turn meet the FDA guidelines under State Licensing of Wholesale Prescription Drug Distributors (21 CFR Part 205). The regulations set forth minimum requirements for prescription drug storage and security as well as for the treatment of returned, damaged, and outdated prescription drugs. Further, wholesale drug distributors must establish and maintain inventories and records of all transactions regarding the receipt and distribution of prescription drugs and make these available for inspection and copying by authorized federal, state, or local law enforcement officials. In most states, wholesale distributor licenses are issued by the State Boards of Pharmacy and require periodic renewal. Approximately 40 states also require out-of-state wholesalers that distribute drugs within their borders to be licensed as well.

On February 4, 2022, the FDA published a proposed rule to set national standards for the licensing of prescription drug wholesale distributors and third-party logistics providers. The comment period was open until June 6, 2022. New regulations and requirements for wholesale distributors and third-party logistics providers could be too burdensome and could impact our registered suppliers on the Trxade platform.

California, Florida, Nevada, New Mexico and Indiana define the normal distribution channel to not include the lateral sales of pharmaceuticals between wholesalers. The Supply Chain Act, part of the Quality Drug Act, which was signed into federal law in December 2013, precludes all states from restricting, investigating or inspecting the distribution channel and transactional history. Until the federal government provides guidelines for the new federal law, no state regulation or guideline exists.

The warehousing of pharmaceuticals is also restricted and requires additional state licenses. Some licenses require bonds and written exams and may take some time to approve. Currently, Integra Pharma Solutions, LLC, our wholesale distributor, asks for formal pedigrees from the ADR wholesalers and provides pedigrees to those entities they sell to in the marketplace. This requirement limits liability and provides assurance if a recall is warranted that Trxade and its participants will receive value for the commodity.

Our national wholesale supply partners are able to fulfill orders on our platform in real-time and provide pharmacies with cost-saving payment terms and next-day delivery capabilities in unrestricted states under the Model State Pharmacy Act and Model Rules of the National Association of Boards of Pharmacy (Model Act).

Potential New Regulations: Price Gouging Rules

In addition to the above, regulatory mandates in response to certain unexpected events, such as viral outbreaks, could negatively impact sales. For example, in December 2019 an outbreak of a coronavirus surfaced in China and resulted in governments around the world adopting restrictions on public gatherings, travel and restrictions on companies' (including our) ability to conduct normal business operations.

Price gouging may be an issue in the coming months due to the continued effects of the coronavirus and responses thereto and supply chain issues associated therewith and separately; as of the date of this Report, 42 states have enacted price gouging laws of one kind or another. The laws vary from state to state, but one constant throughout is a prohibition to charge "excessive" or "unconscionable" prices for consumer goods. Some states define "excessive" or "unconscionable" while others define what makes a prima facie case for price gouging and what constitutes a prima facie defense, shifting the burden of proof to the accuser. In almost all of the 42 states with price gouging laws on the books, a price is excessive or unconscionable if the price of a good has increased, in some states by a certain percentage, over the price of the good prior to the onset of the abnormal disruption of the market. Some states have clearly excepted from the price gouging definition a rise in prices caused by an increase in the merchant's cost of delivering that good for sale – whether it be increased shipping costs, gasoline prices or simply the cost of the good itself. Other states have less defined exceptions – Virginia for example only treats the fact of increased input costs as a merchant's prima facie defense to an accusation of price gouging. Several states except from the price gouging definition prices that do not exceed a normal margin (i.e., the merchant's margin immediately prior to the market disruption) PLUS 10%. In general, while the law may not specifically define what constitutes an "unconscionably excessive price," the statutes typically provide that a price may be "unconscionably excessive" if: the amount charged represents a "gross disparity" from the price such goods or services were sold or offered for sale immediately prior to the onset of the abnormal disruption of the market. Merchants may provide evidence that justifies their higher prices were justified by increased costs beyond their control. We will need to comply with the excessive price statutes; as of the date of this Report, we believe we were in compliance with all 42 states' price gouging laws.

U.S. Federal and State Fraud and Abuse Laws

Federal Stark Law

We are subject to the federal self-referral prohibitions, commonly known as the Stark Law. Where applicable, this law prohibits a physician from referring Medicare patients to an entity providing "designated health services" if the physician or a member of such physician's immediate family has a "financial relationship" with the entity, unless an exception applies. The penalties for violating the Stark Law include the denial of payment for services ordered in violation of the statute, mandatory refunds of any sums paid for such services, civil penalties, disgorgement and possible exclusion from future participation in the federally funded healthcare programs. A person who engages in a scheme to circumvent the Stark Law's prohibitions may be subject to fines for each applicable arrangement or scheme. The Stark Law is a strict liability statute, which means proof of specific intent to violate the law is not required. In addition, the government and some courts have taken the position that claims presented in violation of the various statutes, including the Stark Law can be considered a violation of the federal False Claims Act (described below) based on the contention that a provider impliedly certifies compliance with all applicable laws, regulations and other rules when submitting claims for reimbursement. A determination of liability under the Stark Law could have a material adverse effect on our business, financial condition and results of operations.

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Federal Anti-Kickback Statute

We are also subject to the federal Anti-Kickback Statute. The Anti-Kickback Statute is broadly worded and prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, (i) the referral of a person covered by Medicare, Medicaid or other governmental programs, (ii) the furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other governmental programs or (iii) the purchasing, leasing or ordering or arranging or recommending purchasing, leasing or ordering of any item or service reimbursable under Medicare, Medicaid or other governmental programs. In addition, a person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation. Moreover, the government may assert that a claim including items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act, as discussed below. Violations of the Anti-Kickback Statute can result in exclusion from Medicare, Medicaid or other governmental programs as well as civil and criminal penalties and fines. Imposition of any of these remedies could have a material adverse effect on our business, financial condition and results of operations.

Federal False Claims Act & HIPAA

The federal False Claims Act provides, in part, that the federal government may bring a lawsuit against any person whom it believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim approved. In addition, amendments in 1986 to the federal False Claims Act have made it easier for private parties to bring "qui tam" whistleblower lawsuits against companies under the federal False Claims Act. Penalties include significant civil monetary penalties for each false claim, plus three times the amount of damages that the federal government sustained because of the act of that person. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, pay fines, be excluded from Medicare, Medicaid or other federal or state healthcare programs, or be subject to integrity oversight and reporting obligations to resolve allegations of non-compliance, as a result of an investigation arising out of such action.

There are other federal anti-fraud laws that that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

Additionally, HIPAA established two federal crimes for healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of either of these statutes is a felony and may result in fines, imprisonment, exclusion from Medicare, Medicaid or other federal or state healthcare programs, or integrity oversight and reporting obligations to resolve allegations of non-compliance.

State Fraud and Abuse Laws

Several states in which we operate have also adopted similar fraud and abuse laws as described above. The scope of these laws and the interpretations of them vary from state to state and are enforced by state courts and regulatory authorities, each with broad discretion. Some state fraud and abuse laws apply to items or services reimbursed by any payor, including patients and commercial insurers, not just those reimbursed by a federally funded healthcare program. A determination of liability under such state fraud and abuse laws could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

Other Healthcare Laws

The federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, which we collectively refer to as HIPAA, established several separate criminal penalties for making false or fraudulent claims to

insurance companies and other non-governmental payors of healthcare services. Under HIPAA, these two additional federal crimes are: "Healthcare Fraud" and "False Statements Relating to Healthcare Matters." The Healthcare Fraud statute prohibits knowingly and recklessly executing a scheme or artifice to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The False Statements Relating to Healthcare Matters statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact by any trick, scheme or device or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. These provisions are intended to punish some of the same conduct in the submission of claims to private payors as the federal False Claims Act covers in connection with governmental health programs.

In addition, the Civil Monetary Penalties Law imposes civil administrative sanctions for, among other violations, inappropriate billing of services to federally funded healthcare programs and employing or contracting with individuals or entities who are excluded from participation in federally funded healthcare programs. Moreover, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration, including waivers of copayments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties for each wrongful act. Moreover, in certain cases, providers who routinely waive copayments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-Kickback Statute and civil False Claims Act, which can impose additional penalties associated with the wrongful act. One of the statutory exceptions to the prohibition is non-routine, unadvertised waivers of copayments or deductible amounts based on individualized determinations of financial need or exhaustion of reasonable collection efforts. Although this prohibition applies only to federal healthcare program beneficiaries, the routine waivers of copayments and deductibles offered to patients covered by commercial payors may implicate applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud.

Climate Change Regulation

The U.S. government and foreign governments are currently in the process of considering new or expanded laws to address climate change. Such laws, if adopted, may include limitations on greenhouse gas ("GHG") emissions, mandates that companies implement processes to monitor and disclose climate-related matters, additional taxes or offset charges on specified energy sources, and other requirements. Compliance with climate-related laws may be further complicated by different regulatory approaches and requirements in the various jurisdictions in which we operate. New or expanded climate-related laws could impose substantial costs on us. Until the timing and extent of climate-related laws are clarified, we cannot predict their potential effect on our capital expenditures or our results of operations.

Environmental Regulations

Our operations are subject to regulations under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if in the future we were to violate or become liable under environmental laws. We are not aware of any costs or effects of our compliance with environmental laws.

Jumpstart Our Business Startups Act

In April 2012, the Jumpstart Our Business Startups Act ("JOBS Act") was enacted into law. The JOBS Act provides, among other things:

- Exemptions for "emerging growth companies" from certain financial disclosure and governance requirements for up to five years and provides a new form of financing to small companies;
- Amendments to certain provisions of the federal securities laws to simplify the sale of securities and increase the threshold number of record holders required to trigger the reporting requirements of the Exchange Act;
- Relaxation of the general solicitation and general advertising prohibition for Rule 506 offerings;
- Adoption of a new exemption for public offerings of securities in amounts not exceeding \$50 million; and
- Exemption from registration by a non-reporting company of offers and sales of securities of up to \$1,000,000 that comply with rules to be adopted by the SEC pursuant to Section 4(6) of the Securities Act and exemption of such sales from state law registration, documentation or offering requirements.

In general, under the JOBS Act a company is an "emerging growth company" if its initial public offering ("IPO") of common equity securities was affected after December 8, 2011, and the company had less than \$1.07 billion of total annual gross revenues during its last completed fiscal year. A company will no longer qualify as an "emerging growth company" after the earliest of

- (i) the completion of the fiscal year in which the company has total annual gross revenues of \$1.07 billion or more,
- (ii) the completion of the fiscal year of the fifth anniversary of the company's IPO;
- (iii) the company's issuance of more than \$1 billion in nonconvertible debt in the prior three-year period, or
- (iv) the company becoming a "larger accelerated filer" as defined under the Exchange Act.

The JOBS Act provides additional new guidelines and exemptions for non-reporting companies and for non-public offerings. Those exemptions that impact the Company are discussed below.

Financial Disclosure. The financial disclosure in a registration statement filed by an "emerging growth company" pursuant to the Securities Act, will differ from registration statements filed by other companies as follows:

- (i) audited financial statements required for only two fiscal years (provided that "smaller reporting companies" such as the Company are only required to provide two years of financial statements);
- (ii) selected financial data required for only the fiscal years that were audited (provided that "smaller reporting companies" such as the Company are not required to provide selected financial data as required by Item 301 of Regulation S-K); and
- (iii) executive compensation only needs to be presented in the limited format now required for "smaller reporting companies".

However, the requirements for financial disclosure provided by Regulation S-K promulgated by the Rules and Regulations of the SEC already provide certain of these exemptions for smaller reporting companies. The Company is a smaller reporting company. Currently a smaller reporting company is not required to file as part of its registration statement selected financial data and only needs to include audited financial statements for its two most current fiscal years with no required tabular disclosure of contractual obligations.

The JOBS Act also exempts the Company's independent registered public accounting firm from having to comply with any rules adopted by the Public Company Accounting Oversight Board ("PCAOB") after the date of the JOBS Act's enactment, except as otherwise required by SEC rule.

The JOBS Act further exempts an "emerging growth company" from any requirement adopted by the PCAOB for mandatory rotation of the Company's accounting firm or for a supplemental auditor report about the audit.

Internal Control Attestation. The JOBS Act also provides an exemption from the requirement of the Company's independent registered public accounting firm to file a report on the Company's internal control over financial reporting, although management of the Company is still required to file its report on the adequacy of the Company's internal control over financial reporting.

Section 102(a) of the JOBS Act exempts "emerging growth companies" from the requirements in §14A(e) of the Exchange Act for companies with a class of securities registered under the Exchange Act to hold stockholder votes for executive compensation and golden parachutes.

Other Items of the JOBS Act. The JOBS Act also provides that an "emerging growth company" can communicate with potential investors that are qualified institutional buyers or institutions that are accredited to determine interest in a contemplated offering either prior to or after the date of filing the respective registration statement. The JOBS Act also permits research reports by a broker or dealer about an "emerging growth company" regardless of whether such report provides sufficient information for an investment decision. In addition, the JOBS Act precludes the SEC and FINRA from adopting certain restrictive rules or regulations regarding brokers, dealers and potential investors, communications with management and distribution of research reports on the "emerging growth company's" initial public offerings (IPOs).

Section 106 of the JOBS Act permits "emerging growth companies" to submit registration statements under the Securities Act on a confidential basis provided that the registration statement and all amendments thereto are publicly filed at least 21 days before the issuer conducts any road show (which time period has since been reduced to 15 days). This is intended to allow "emerging growth companies" to explore the IPO option without disclosing to the market the fact that it is seeking to go public or disclosing the information contained in its registration statement until the company is ready to conduct a roadshow.

Election to Opt Out of Transition Period. Section 102(b)(1) of the JOBS Act exempts "emerging growth companies" from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standard.

The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of the transition period.

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Status as Emerging Growth Company. Our first sale of common equity securities pursuant to an effective registration statement under the Securities Act occurred on or around May 2019. As such, we will remain an emerging growth company, until no later than December 31, 2024, the completion of the fiscal year of the fifth anniversary of the Company's IPO.

Research and Development.

During the last two fiscal years, *Trxade.com*, *DelivMeds* and *Bonum Health* have been developed as proprietary software. In Fiscal 2022, management determined that the research and development costs could be capitalized due to the stage of development for DelivMeds. The capitalized asset for Fiscal 2022 was \$450,845. For Fiscal 2021 \$509,210 was spent by the Company in research and development activities, which were included in technology expenses. None of these expenses were borne directly by customers.

Employees

Currently, we have approximately 33 full-time employees and one part time employee. Our compensation programs are designed to align the compensation of our employees with performance and to provide the proper incentives to attract, retain and motivate employees to achieve superior results. The structure of our compensation programs balances incentives earnings for both short-term and long-term performance such as health insurance, paid time off and flexibility schedules. To empower employees to unleash their potential, we provide onboarding training, development mentorship with C-suite executives, and one on one coaching. The Company believes that its rich culture of inclusion and diversity enables it to create, develop and fully leverage the strength of its workforce to exceed customer expectation and meet its growth objectives. The Company places a high value on diversity and inclusion.

We also utilize numerous outside consultants. Our future success will depend partially on our ability to attract, retain and motivate qualified personnel. We are not a party to any collective bargaining agreements and have not experienced any strikes or work stoppages. We consider our relations with our employees and consultants to be satisfactory.

Seasonality

Our business is not directly affected by seasonal fluctuations but is affected indirectly by the fall and winter flu season, to the extent it leads to an increased demand for certain generic pharmaceuticals.

ITEM 1A. RISK FACTORS

Summary Risk Factors

Our business is subject to numerous risks and uncertainties, many of which are beyond our control, including those highlighted in the section titled "Risk Factors" immediately following this summary. These risks include, among others, the following:

- We have in the past been adversely affected by COVID-19 and may in the future be adversely affected by COVID-19 and/or governmental responses thereto, as well as supply chain issues relating thereto;
- We are currently unprofitable, have generated net losses, and we may incur losses in the future;
- We may need additional financing in the future, which may not be available on favorable terms, if at all;
- We may not be able to manage our future growth;
- Many of our competitors are better established and have resources significantly greater than ours;
- We face risks associated with our operations within the pharmaceutical distribution market;
- We are dependent on our current management;
- We rely on third party contracts, which may not be renewed or may be terminated;
- We are currently facing and may in the future face difficulties in sourcing products and inventory due to a variety of causes;
- We have in the past, and may in the future, not be able to sell our inventory, at or above the price we acquired such inventory for, have in the past, and may in the future, be forced to write-down inventory and certain of our other assets which may have a material adverse effect on our balance sheet;
- We have in the past, and may in the future, not receive products or receive refunds for deposited amounts and have experienced losses in connection with such deposits;

- We may be subject to claims that we violated intellectual property rights of others, which are extremely costly to defend and could require us to pay significant damages and limit our ability to operate;
- Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks and a disruption, cyber-attack, failure or destruction of such networks, systems, or technologies may disrupt our business or result in liability;
- There may be losses or unauthorized access to or releases of confidential information, including personally identifiable information, that could subject the Company to significant reputational, financial, legal and operational consequences;
- We face risks associated with our business in the telehealth market, including risks associated with legal challenges, relationships with third parties and affiliated professionals, our network of qualified providers, competition for services; new technologies, failure to develop widespread brand awareness and regulatory risks from the Office of Inspector General, U.S. Department of Health and Human Services (OIG) and the United States Department of Justice (DOJ) around the practice of telehealth and expiring COVID-19 waivers;
- Our certificate of incorporation limits the liability of our officers and directors and provides for indemnification rights, mandatory forum selection provisions and limits the ability of stockholders to call special meetings of stockholders;
- We incur significant costs to ensure compliance with U.S. and NASDAQ Capital Market reporting and corporate governance requirements;
- We are not currently in compliance with NASDAQ's continued listing requirements and may not be able to maintain the listing of our common stock on the NASDAQ Capital Market;
- Regulatory changes that affect our distribution channels could harm our business;
- Healthcare fraud laws are often vague and uncertain, exposing us to potential liability;
- New and expanded laws or regulations could have a material adverse effect on our business operations, cash flows or future prospects;
- The public health crisis involving the abuse of prescription opioid pain medication could have a material negative effect on our business;
- Consolidation in the U.S. healthcare industry may negatively impact our results of operations;
- We have identified material weaknesses in our internal control over financial reporting and controls and procedures;
- There may not be sufficient liquidity in the market for our securities in order for investors to sell their shares. The market price of our common stock may continue to be volatile;
- Stockholders may experience dilution to future equity sales, the exercise or conversion of outstanding convertible securities or future transactions;
- Our results of operations are subject to rising inflation, rising interest rates, governmental responses thereto and possible recessions caused thereby;
- Our Chief Executive Officer and President are our two largest stockholders and, as a result, they can exert significant control over us and have actual or potential interests that may differ from yours;
- Risks associated with the JOBS Act and our status as an emerging growth company;
- Risks associated with future acquisitions, including unknown liabilities and difficulty integrating such acquisitions;
- Cyber security attacks and website problems;
- There is substantial doubt regarding our ability to continue as a going concern;
- We may see a plateau in our Tele-Vet services offering due to a lack of providers as we are not marketing the service;
- There may be changes in state law concerning the definition of "Tele-Vet" services which may hinder our ability to provide services without an in-person visit to establish care. This is known as establishing a veterinarian-client-patient relationship (VCPR);
- Claims, litigation, government investigations, and other proceedings that may adversely affect our business and results of operations.

Risk Factors

You should be aware that there are substantial risks for an investment in our common stock. You should carefully consider these risk factors before you decide to invest in our common stock.

If any of the following risks were to occur, such as our business, financial condition, results of operations or other prospects, any of these could materially affect our likelihood of success. If that happens, the market price of our common stock, if any, could decline, and prospective investors would lose all or part of their investment in our common stock.

Risks Related to Our Business Operations

Our business, financial condition and results of operations are subject to various risks and uncertainties, including those described below. This section discusses factors that, individually or in aggregate, could cause our actual results to differ materially from expected and historical results. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. It is not possible to predict or identify all such factors. Consequently, the following description of Risk Factors is not a complete discussion of all potential risks or uncertainties applicable to our business.

We were recently unprofitable, we have recently generated net losses, and we may incur losses in the future.

Revenues generated from our consolidated operations for the years ended December 31, 2022 and 2021 were \$11,448,265 and \$9,889,433, respectively.

We incurred a net loss of \$3,909,868 for Fiscal 2022, compared to a net loss of \$5,315,883 for the Fiscal 2021. We may incur other losses in the foreseeable future due to the significant costs associated with our business operations, including costs associated with maintaining industry regulatory and licensure compliance. We also incur significant compliance costs associated with maintaining SEC regulatory and financial reporting requirements; as well as costs to maintain minimum listing requirements of Nasdaq. We cannot assure you that our operations will annually generate sufficient revenues to fund our continuing operations or to fully implement our business plan, and thereafter sustain profitability in any future period.

The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the start and growth of a business, the implementation and execution of our business plan, and the regulatory environment affecting the distribution of pharmaceuticals in which we operate.

We need additional capital which may not be available on commercially acceptable terms, if at all, which creates substantial doubt about our ability to continue as a going concern.

Our historical financial statements have been prepared under the assumption that we will continue as a going concern. As of December 31, 2022, the Company had an accumulated deficit of \$19.7 million. We have limited financial resources, as of December 31, 2022, we had working capital of negative \$0.053 million and a cash balance of \$1.1 million. We will need to raise additional capital or secure debt funding to support on-going operations. The sources of this capital are expected to be the sale of equity and debt, which may not be available on favorable terms, if at all, and may, if sold, cause significant dilution to existing stockholders. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenues, our financial position, and liquidity. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that our condensed financial statements are issued. The financial statements incorporated by reference herein do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The doubt regarding our potential ability to continue as a going concern may adversely affect our ability to obtain new financing on reasonable terms or at all. Additionally, if we are unable to continue as a going concern, our stockholders may lose some or

all of their investment in the Company.

Additional financing may not be available to us when needed or, if available, it may not be obtained on commercially reasonable terms. If we are not able to obtain the necessary additional financing on a timely or commercially reasonable basis, we will be forced to delay or scale down some or all of our development activities (or perhaps even cease the operation of our business). Our access to additional capital may be negatively affected by future recessions, downturns in the economy or the markets as a whole, or inflation.

If we do not obtain additional financing, our business, prospects, financial condition and results of operations will be adversely affected.

On October 4, 2022 the Company entered into a securities purchase agreement (the "Purchase Agreement") with a certain institutional investor (the "Purchaser"). The Purchase Agreement provided for the sale and issuance by the Company of an aggregate of: (i) 920,000 shares (the "Shares") of the Company's common stock, \$0.00001 par value (the "Common Stock"), (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 601,740 shares of Common Stock and (iii) warrants (the "Private Placement Warrants") and, together with the Shares and the Pre-Funded Warrants, the "Securities") to purchase up to 2,663,045 shares of Common Stock. The offering price per Share was \$1.15 and the offering price per Pre-Funded Warrant was \$1.14999. The Private Placement Warrants were sold in a concurrent private placement (the "Private Placement"), exempt from registration pursuant to Section 4(a)(2) and/or Rule 506 of the Securities Act of 1933, as amended (the "Securities Act").

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Management anticipates that we will require additional working capital in the future to pursue continued development of products, services, and marketing operations. We cannot accurately predict the timing and amount of such capital requirements. Additional financing may not be available to us when needed or, if available, it may not be obtained on commercially reasonable terms. Furthermore, the recent developments on the financial industry may impair our ability to obtain bank financings. If we are not able to obtain the necessary additional financing on a timely or commercially reasonable basis, we will be forced to delay or scale down some or all of our development activities (or perhaps even cease the operation of our business). Our access to additional capital may be negatively affected by future recessions, downturns in the economy or the markets as a whole, or inflation.

We have no commitments for any additional financing, and such commitments may not be obtained on favorable terms, if at all. Any additional equity financing will be dilutive to our stockholders, and debt financing, if available, may involve restrictive covenants with respect to dividends, raising future capital, and other financial and operational matters. If we are unable to obtain additional financing as needed, we may be required to reduce the scope of our operations or our anticipated expansion, which could have a material adverse effect on us.

If we do not maintain a current and effective prospectus relating to the common stock issuable upon exercise of the Private Placement Warrants, holders may exercise such Private Placement Warrants on a "cashless basis."

If we do not maintain a current and effective prospectus relating to the shares of common stock issuable upon exercise of the Private Placement Warrants at the time that holders wish to exercise such warrants, they will be able to exercise them on a "cashless basis". As a result, the number of shares of common stock that holders will receive upon exercise of the Private Placement Warrants will be fewer than it would have been had such holders exercised their Private Placement Warrants for cash. Under the terms of the Purchase Agreement, we have agreed to file a registration statement to register the shares of common stock issuable upon the exercise of the Private Placement Warrants (the "Private Placement Warrant Shares"), as soon as practicable (and in any event within 60 calendar days of the date of the Purchase Agreement), and use commercially reasonable efforts to cause such registration statement to become effective within 181 days following the closing date of the offering of the Securities and to keep such registration statement effective at all times until the investor holds no Private Placement Warrants or Private Placement Warrant Shares issuable upon exercise thereof. However, we cannot assure you that we will be able to do so. If the Private Placement Warrants are exercised on a "cashless" basis, we will not receive any consideration from such exercises.

Provisions of the Private Placement Warrants could discourage an acquisition of us by a third party.

Certain provisions of the Private Placement Warrants could make it more difficult or expensive for a third party to acquire us. The Private Placement Warrants prohibit us from engaging in certain transactions constituting "fundamental transactions" unless, among other things, the surviving entity assumes our obligations under the Private Placement Warrants. Further, the Private Placement Warrants provide that, in the event of certain transactions constituting "fundamental transactions," with some exception, holders of such warrants will have the right, at their option, to require us to repurchase such warrants at a price described in such warrants. These and other provisions of the Private Placement Warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you.

The Private Placement Warrants have certain anti-dilutive rights.

The Private Placement Warrants include full ratchet anti-dilutive rights in the event any shares of common stock or other equity or equity equivalent securities payable in common stock are granted, issued or sold (or the Company enters into any agreement to grant, issue or sell), or in accordance with the terms of the warrant agreement evidencing the Private Placement Warrants, are deemed to have granted, issued or sold, in each case, at a price less than the exercise price, which automatically decreases the exercise price of the Warrants upon the occurrence of such event, as described in greater detail in the warrant agreement, subject to a minimum exercise price of \$0.232 per share. Such anti-dilution rights, if triggered, could result in a significant decrease in the exercise price of the Private Placement Warrants, which could result in significant dilution to existing shareholders.

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The Private Placement Warrants are accounted for as liabilities and the changes in value of such Private Placement Warrants may have a material effect on our financial results.

Private Placement Warrants, with certain terms as included in the Purchase Agreement should be accounted for as liability instruments. As a result, the Company recorded warrant liability on the balance sheet as of December 31, 2022. Under the liability accounting treatment, the Company is required to measure the fair value of these instruments at the end of each reporting period and recognize changes in the fair value from the prior period in the Company's operating results for the current period. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors which are outside our control. In the event the Private Placement Warrants are required to be accounted for under liability accounting treatment, we will recognize noncash gains or losses due to the quarterly fair valuation of these warrants which could be material. The impact of changes in fair value on our earnings may have an adverse effect on the market price of our common stock and/or our stockholders' equity, which may make it harder for us to, or prevent us from, meeting the continued listing standards of The Nasdaq Capital Market.

The issuance and sale of common stock upon exercise of the Private Placement Warrants may cause substantial dilution to existing stockholders and may also depress the market price of our common stock.

The Private Placement Warrants will be exercisable for up to 2,633,045 shares of common stock, provided that the Private Placement Warrants contain a provision limiting each holder's ability to exercise the warrants if such exercise would cause the holder's (or any affiliate of any such holder) holdings in the Company to exceed 4.99% of the Company's issued and outstanding shares of common stock (which may be increased or decreased with 61 days prior written notice from the holder, to up to 9.99% of the Company's issued and outstanding shares of common stock). The ownership limitation does not prevent such holder from exercising some of the warrants, selling those shares, and then exercising the rest of the warrants, while still staying below the 4.99% limit. In this way, the holder of the warrants could sell more than this limit while never actually holding more shares than this limit allows. If the holder of the warrants chooses to do this, it will cause substantial dilution to the then holders of our common stock.

If exercises of the warrants and sales of such shares issuable upon exercise thereof take place, the price of our common stock may decline. In addition, the common stock issuable upon exercise of the warrants may represent overhang that may also adversely affect the market price of our common stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens the price of the company's stock will decrease, and any additional shares which shareholders attempt to sell in the market will only further decrease the share price. If the share volume of our common stock cannot absorb shares sold by the warrant holders, then the value of our common stock will likely decrease.

Our business is subject to rigorous regulatory and licensing requirements.

As described in greater detail in "Item 1. Business", above, our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. If we fail to comply with regulatory requirements, or if allegations are made that we fail to comply, our results of operations and financial condition could be adversely affected.

To lawfully operate our businesses, we are required to obtain, and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. For example, as a wholesale distributor of controlled substances, we must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the Controlled Substances Act (CSA). Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on our results of operations and financial condition. We are also required to comply with various state pricing gouging laws. Products that we source and distribute must also comply with regulatory requirements.

Noncompliance or concerns over noncompliance may result in suspension of our ability to distribute or import products, product bans, recalls or seizures, or criminal or civil sanctions, which, in turn, could result in product liability claims and lawsuits, including class actions.

Many of our competitors are better established and have resources significantly greater than we have, which may make it difficult to fend off competition.

We expect to compete with the three largest ADR distributors (McKesson, Cardinal Health and AmerisourceBergen), in addition to other pharmaceutical distributors, buying groups, software products, and various start-up drug companies. Many of these companies have substantially greater financial and manufacturer-backed resources, longer operating histories, greater name recognition and more established relationships in the industry than us. In addition, a number of these competitors may combine or form strategic partnerships. As a result, our competitors may establish a more favorable footing in the pharmaceutical industry with respect to pricing or other factors. Our failure to compete successfully with any of these companies would have a material adverse effect on our business and the trading price of our common stock.

The three distributors listed above have a strong control over our industry, as they have contracts with approximately 24,000 independent, retail pharmacies that limit the participants' ability to purchase pharmaceuticals outside of those primary distributors. Additional restrictive elements exist within the pharmaceutical channels of distribution. For example, a number of the inventory management systems, either developed by the distributors or third-party vendors, have been developed to require compliance to these restrictive purchasing agreements. Management anticipates that other existing and prospective competitors will adopt technologies or business plans similar to ours or seek other means to develop operations competitive with ours, particularly if our development of large-scale production progresses as scheduled.

We will need to expand our member base or our profit margins to attain profitability.

Currently, we are paid an administrative fee of up to 6 percent of the buying price on the generic pharmaceuticals sold to pharmacies and up to 1 percent on brand pharmaceuticals that pass through our pharmaceutical exchanges. Our management is aware that the competitiveness of the group of suppliers that participate in our system and price products on our exchange is a key factor in determining how many purchasing pharmacies and wholesalers will purchase products through our platforms. However, price is not the only factor that influences where retail pharmacies will obtain their product. Quality fulfillment services are also important, and retail pharmacies have historically received quality fulfillment services from the three major ADR distributors. In order to be more competitive, we must improve our customer service and wholesaler fulfillment efforts, because the independent retail pharmacy has for years considered this element of the fulfillment process as important as price. Other factors influencing the pharmacies purchasing behavior in the future will be changes brought upon by the ACA, which regulates some aspects of pharmaceutical spending and pricing. Management believes that we should benefit substantially from our pricing and product knowledge that is offered by our platform.

Profitability may be further increased as a result of lower cost of goods, should the Company build stronger relationships with manufacturers and other larger buying groups that serve wholesalers and distributors. On a larger scale, those margins are expected to drop depending upon the breadth of products provided in the market and the sale turn rates required. We are currently undertaking a significant effort to increase our membership base through attendance at annual conferences and other strategies. Trade has an expanded e-mail marketing strategy based on our competitive price advantages and price trend analysis tools.

There are inherent risks associated with our operations within the Pharmaceutical Distribution Market.

There are inherent risks involved with doing business within the pharmaceutical distribution market, including:

- Improperly manufactured products may prove dangerous to the end consumer.
- Products may become adulterated by improper warehousing methods or modes of shipment.
- Counterfeit products or products with fake pedigree papers.
- Unlicensed or unlawful participants in the distribution channel.
- Risk with default and the assumption of credit loss.
- Regulatory risks.
- Risk related to the loss of supply, or the loss of a number of suppliers, or in the delay of obtaining the supply of drugs.

Although all of our end-user agreements require our customers to indemnify us and for any and all liabilities resulting from our participation in the pharmaceutical distribution industry, we cannot assure you that the parties required to provide such indemnification will have the financial resources to do so. Additionally, although we have evaluated appropriate state statutes and federal laws pertaining to pharmaceutical distribution in an effort to diminish our risks, the Board of Pharmacy for each state is responsible for interpreting their state laws, and their interpretations may not comport with our analysis. It is also possible that any third-party logistics arrangements may disrupt service, create a loss of income, or other unforeseen disruptions should the service provider experience any legal, financial or other difficulties of their own.

We do not have a traditional credit facility with a financial institution, which may adversely impact our operations.

We do not have a traditional credit facility with a financial institution, such as a working line of credit. The absence of such a facility could adversely impact our operations, as it may constrain our ability to have available the working capital for equipment purchases or other operational requirements. If adequate funds are not otherwise available, we may be required to delay, scale back or eliminate portions of our business development efforts. Without credit facilities, we could be forced to cease operations and investors in our securities could lose their entire investment.

We offer limited credit to the pharmacies which limits the amount of the orders that they place and may result in us losing business and a reduction in our revenues.

We currently offer a limited amount of credit to our members. Such limited credit reduces the risk that such members do not pay for products; however, it also limits the amount of revenue we generate per member. We believe that if we were to increase the amount of credit we provide to members we would generate more revenues, but bear more risk of non-payment. We are currently exploring increasing the amount of credit we provide to members, which may in turn result in an increase in receivables and write-offs.

We are dependent upon our current management, who may have conflicts of interest.

We are dependent upon the efforts of our current management. All of our officers and directors have duties and affiliations with other companies. Even though these companies are not competitors or involved in pharmaceutical distribution, involvement of our officers and directors in other businesses may still present a conflict of interest regarding decisions they make for Trxade or with respect to the amount of time available for Trxade. The loss of any of our officers or directors and, in particular, Mr. Prashant Patel, our President or Mr. Suren Ajjarapu, our Chief Executive Officer and Chairman of the Company, could have a materially adverse effect upon our business and future prospects.

The Company holds, on behalf of and for the benefit of Mr. Suren Ajjarapu, a personal disability insurance policy providing for a \$1,500,000 lump sum benefit, payable to Mr. Ajjarapu, in the event of Mr. Ajjarapu's disability. The premiums on such policy will be paid by the Company for so long as Mr. Ajjarapu is employed by the Company.

The Company also holds a \$4,000,000 key-man life insurance policy on the life of Mr. Suren Ajjarapu, and a \$1,500,000 lump sum disability insurance policy on Mr. Ajjarapu, providing for the Company as beneficiary of such policies.

While our management team has considerable information technology and entrepreneurial experience, none of our management was involved in pharmaceutical distribution prior to joining the Company and, as such, did not have any technical experience in pharmaceutical distribution prior to joining us. In the event of the loss of Mr. Ajjarapu's services, we will seek to hire and retain a qualified professional. In the event of the loss of his services in connection with his death, upon obtaining funding from the key-man life insurance, management intends to hire qualified and experienced personnel. We may be unable to find a suitable or qualified replacement for Mr. Ajjarapu and as such our operations and/or prospects may suffer.

We rely on third party contracts.

We depend on others to provide products and services to us. We do not manufacture pharmaceuticals and we do not sell pharmaceuticals to the end consumer. We do not control these wholesalers, suppliers and purchasers, and although our arrangements with them will be terminable or of limited length, a change may be difficult to implement. At this time, we have a working relationship with over 50 wholesalers and the nation's largest buying group. Although we believe that those entities are satisfied with their business relationship with Trxade, if our buying group and two or three of the wholesalers decided no longer to do business with us, that supplier void would materially and adversely affect our competitiveness in the marketplace.

We depend on suppliers to make their drugs and other medical products available to us for resale and are subject to risks associated with the availability of these drugs and other medical products.

We do not directly manufacture any of the products we sell and instead we rely on third parties to manufacture and/or procure such drugs and other medical products for us to resell. Supply chain constraints have, and may in the future have, a negative impact on the availability of drugs and medical products that we sell. Our supplier relationships could be interrupted, become less favorable to us or be terminated and the supply of these drugs or products could be interrupted or become insufficient. Supply interruptions or other disruptions in manufacturing processes could be caused by events beyond our control, including natural disasters, supplier facility shut-downs, defective raw materials, the impact of epidemics or pandemics, such as COVID-19, and actions by U.S. or international governments, including export restrictions or tariffs. A sustained supply reduction or interruption, and an inability to develop alternative and additional sources for such supply, could result in lost sales, increased cost, damage to our reputation, and may have an adverse effect on our business.

We may have difficulties in sourcing or selling products due to a variety of causes.

We might experience difficulties and delays in sourcing and selling products due to a variety of causes, such as: difficulties in complying with the legal requirements for export or import of pharmaceuticals or supplies; suppliers' failure to satisfy production demand; manufacturing or supply problems such as inadequate resources; and real or perceived quality issues. Difficulties in product manufacturing or access to raw materials could result in supplier production shutdowns, product shortages and other supply disruptions. The COVID-19 pandemic has adversely affected the availability of some products, resulting in product allocation and delivery delays. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

Rapid technological change in our industry presents us with significant risks and challenges.

Our industry is characterized by rapid technological change, changing consumer requirements, short product lifecycles and evolving industry standards. Our success will depend on our ability to develop or to acquire and market new services. There is no guarantee that we will possess the resources, either financial or personnel, for the research, design and development of new applications or services, or that we will be able to utilize these resources successfully and avoid technological or market obsolescence. Further, there can be no assurance that technological advances by one or more of our competitors or future competitors will not result in our present or future applications and services becoming uncompetitive or obsolete.

We are currently facing and may in the future face difficulties in sourcing products and inventory due to a variety of causes.

Due to the continued effects of the COVID-19 pandemic, the governmental responses to contain the spread of such virus, we have to date experienced issues with the availability of certain products, resulting in product allocation and delivery delays, which has not to date, had a material adverse effect on our results of operations. We might also experience difficulties and delays in sourcing products and inventory due to a variety of causes in the future, such as: difficulties in complying with the legal requirements for export or import of pharmaceuticals or components; suppliers' failures to satisfy production demand; manufacturing or supply problems such as inadequate resources; real or perceived quality issues; and advanced deposits which are at risk of return if product is not delivered. Difficulties in product manufacturing or access to raw materials could result in supplier production shutdowns, product shortages and other supply disruptions. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We have in the past, and may in the future, not be able to sell our inventory, at or above the price we acquired such inventory for, and have in the past, and may in the future, be forced to write-down inventory and certain of our other assets which may have a material adverse effect on our balance sheet.

Due to the supply and demand nature of our pharmaceutical business and the personal protective equipment (PPE) business, especially in connection with the rapidly changing regulations, recommendations and guidance surrounding COVID-19, the inventory of products we have acquired, or may acquire in the future, has been/may be, acquired at a cost higher than the price at which we may be able to resell such products. As a result, in the past we have, and in the future we may not be able to, make a profit on such sales and have in the past and may in the future, have to write-down a significant portion of our inventory. During the years ended December 31, 2022 and 2021, write-down to market value was \$0 and \$376,348 respectively. A significant write-down of assets may have a material adverse effect on our balance sheet and results of operations.

We may not receive products or receive refunds for deposited amounts and may experience losses in connection with such deposits.

We might not receive products or the return of funds on deposits that have been provided. In the event we do not receive the return of our deposits (through litigation or otherwise), this will cause us financial harm and as a result the Company has taken a significant charge on our financial statements by taking a loss in the amount of such deposit amount. Additionally, in the future we may provide additional deposits for products which may be material, which deposits may not be refunded timely, if at all, and which products may not be delivered, or may be defective or unusable. Any significant losses of deposited funds could have a material adverse effect on our financial condition, results of operations and the value of our securities.

In July 2020, the Company's wholly-owned subsidiary, Integra, entered into an agreement with Studebaker Defense Group, LLC ("Studebaker") wherein Integra would pay Studebaker a down payment of \$500,000 and Studebaker would deliver 180,000 boxes of nitrile gloves by August 14, 2020. Integra wired the \$500,000 to Studebaker, but to date, Studebaker has not delivered the gloves or provided a refund of the deposit. On December 31, 2020, we filed a complaint against Studebaker in Florida state court, Case No. 20-CA-010118 in the Circuit Court for the Thirteenth Judicial Circuit in Hillsborough County, for among other things, breach of contract. On January 29, 2021, Integra Pharma Solutions filed a motion for clerk's default against Studebaker. On February 2, 2021, the clerk of court issued a default judgment against Studebaker. On March 4, 2021, Integra Pharma Solutions filed a motion for final default judgment against Studebaker. On March 22, 2021, counsel for Studebaker filed a notice of appearance in the case. On March 24, Studebaker filed a response in opposition to the motion for final judgment, and on March 25, 2021, Studebaker filed a motion to dismiss the case. On May 14, 2021, the Court denied Integra's motion for final default judgment, granted Studebaker's motion to set aside the clerk's default, and denied Studebaker's motion to dismiss. An amended answer and affirmative defenses were filed by Studebaker on October 14, 2021. Integra's motion to strike the affirmative defenses, or in the alternative, motion for more definite statement is scheduled for hearing on April 27, 2022. We have also scheduled the deposition of Studebaker's corporate representative on April 12, 2022, and moved to compel better answers to outstanding discovery. The litigation remains pending and is in the discovery phase. Integra remains confident it can successfully prosecute its claims against Studebaker on the merit. On June 30, 2021, the \$500,000 was recorded as Loss on Inventory Investment.

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In August 2020, Integra, entered into an agreement with Sandwave Group Dsn Bhd ("Sandwave"), wherein Integra would pay Sandwave a down payment of \$581,250 and Sandwave's supplier, Crecom Burj Group SDN BHD ("Crecom"), would deliver 150,000 boxes of nitrile gloves within 45 days. Integra wired the \$581,250 to Sandwave, which in turn wired the purchase price to Crecom, which Crecom accepted; however, to date, Crecom has not delivered the nitrile gloves. Integra demanded return of its \$581,250 and Crecom has acknowledged that Integra is entitled to a refund, but to date Crecom has failed to return Integra's money. In February 2021, Integra filed a complaint against Crecom in Malaysia: Case No. WA-22NCC-55-02/2021 in the High Court of Malaysia at Kuala Lumpur in the Federal Territory, Malaysia for the Malaysian equivalent of breach of contract. Crecom filed an appearance on March 1, 2021. In April 2021, an Application for Summary Judgment was filed with the court, and on May 25, 2021, the Court extracted the sealed application, and a copy thereof was served on Crecom's attorneys and Crecom, 14 days later, filed an Affidavit in Reply with the court alleging that there are issues to be tried and that this case must go to a full trial. On June 28, 2021, the court directed both parties to file their written submissions/arguments in relation to the application for summary judgment on or before July 12, 2021, and scheduled a hearing thereon for August 26, 2021. At the final hearing on October 18, 2021, the ruling for the summary judgment was denied and a trial date is pending. The Company believes that it will prevail in the lawsuit filed; but the steps to enforce a judgment in Malaysia, if any, may be cumbersome, time-consuming or costly. The Company cannot determine the timing of the judgment, nor the amount ultimately collected. On June 30, 2021, the \$581,250 was recorded as Loss on Inventory Investment.

On May 20, 2022, effective as of May 18, 2022, the Company's wholly owned subsidiary Community Specialty Pharmacy, LLC ("CSP") entered into an agreement to acquire COVID-19 testing kits (the "CSP Test Kits") from a third party vendor for an aggregate of \$1,200,000, of which \$875,000 was paid on May 23, 2022. The Company received the CSP Test Kits in July of 2022. On August 18, 2022, the Company was informed by the vendor that the vendor had received a letter from the U.S. Food and Drug Administration ("FDA") that the CSP Test Kits were misbranded under Section 502(o) of the Federal Food, Drug, and Cosmetic Act ("FDC Act") (21 USC 352(o)) and adulterated under Section 501(f) of the FDC Act (21 USC 351(f)). Furthermore, the vendor informed the Company that the letter from the FDA also stated that because of the FDA's prohibition on the distribution of adulterated and/or misbranded devices applies to all parties along the distribution chain, the FDA was advising the vendor against furthering the distribution of the CSP Test Kits in interstate commerce. At this time the Company has informed the vendor that it expects the vendor to provide a full return of the \$875,000 paid on May 23, 2022, along with any additional damages that the Company may incur. As of December 31, 2022, \$875,250 was recorded as a loss on inventory investment in the statement of operations for Fiscal 2022.

Our quarterly results have in the past, and may in the future, fluctuate significantly due to certain non-recurring sales of products.

Our quarterly revenues have in the past and may in the future fluctuate significantly due to certain non-recurring sales of personal protective equipment (PPE) and other products and associated costs of revenues therewith, which may be compounded in our year over year financial results. As such, we believe that quarter-to-quarter comparisons of our revenues, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

Our investments in new businesses and new products, services, and technologies is inherently risky, and could disrupt our ongoing businesses.

We have invested and expect to continue to invest in new businesses, products, services, and technologies. Such endeavors may involve significant risks and uncertainties, including insufficient revenues from such investments to offset any new liabilities assumed and expenses associated with these new investments, inadequate return of capital on our investments, distraction of management from current operations, and unidentified issues not discovered in our due diligence of such strategies and offerings that could cause us to fail to realize the anticipated benefits of such investments and incur unanticipated liabilities. Because these new ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and will not adversely affect our reputation, financial condition, and operating results. To date we have taken losses and/or write-downs on several businesses, products, services, and technologies. For example,

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- a) We had \$725,973 of loss on impairment of goodwill for the fiscal year ended December 31, 2020, in connection with the acquisition of Community Specialty Pharmacy, LLC;
- b) We designed and invested resources into the "Bonum Health Hub", a self-enclosed, free standing virtual examination room, which was launched by the Company's wholly-owned Bonum Health, LLC, in November 2019 and was expected to be operational in April 2020; however, due to the COVID-19 pandemic, the Company does not anticipate installations moving forward, and has taken a write off of the hubs purchased at June 30, 2021 in the amount of \$143,891, which is included under loss on inventory investments in the statement of operations for Fiscal 2021; and
- c) We also used resources and funding to create a Health Passport application during 2020 and 2021, which was planned to store a user's health and vaccination status and allow confirmation thereof via a QR code; however, we did not generate any revenue from this product and the product was discontinued at the end of December 2021;
- d) We had \$792,500 of loss on impairment of intangible assets related to our investment in the joint venture SOSRx, LLC formed in February of 2022. The subsidiary did not generate material revenue and in February of 2023, subsequent to the Fiscal 2022, the Company voluntarily withdrew from the joint venture agreement. The asset impairment is reflected in the statement of operations for the Fiscal 2022 as impairment of intangible asset. Additionally, the Company contributed a cash investment of \$275,000 in February of 2022 when the joint venture was formed, the Company did not recover this investment as part of the withdrawal settlement;

- e) We recorded a loss of \$875,250 in connection with CSP Test Kits purchased for our Community Specialty Pharmacy that were later deemed inappropriate for distribution by the FDA. The Company plans to attempt to recover this amount from the vendor in 2023, however the inventory was written down and was recorded as loss on inventory investment in the statement of operations for Fiscal 2022.

The use of resources for new businesses and new products, services, and technologies, to the extent such new businesses and new products, services, and technologies do not generate revenues or profits may take management's focus and time away from more profitable endeavors, may require the Company to take significant write-downs or write-offs, may take funding away from the Company's other operations or growth opportunities, which may ultimately be more profitable, and may have a material adverse effect on the Company's cash flows, liquidity and revenues, any or all of which may cause the value of the Company's securities to decline in value or become worthless.

Risks Relating to Our Information Systems; Technology and Intellectual Property

We may be subject to claims that we violated intellectual property rights of others, which are extremely costly to defend and could require us to pay significant damages and limit our ability to operate.

Companies primarily conducting their business on the internet, in the technology sector, and other patent and trademark holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods. Any intellectual property claims against us, regardless of merit, could be time-consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party's rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. If we cannot license or develop technology, content, branding or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively. Even if a license is available, we could be required to pay significant royalties, which could increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense and be inferior. Any of these results could harm our operating results.

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Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks.

We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

- facilitate the purchase and distribution of inventory items from distribution centers;
- receive, process and ship orders on a timely basis;
- manage accurate billing and collections for thousands of customers;
- process payments to suppliers; and
- generate financial information.

Our business also depends on the proper functioning of our critical facilities and our distribution networks. Our results of operations could be adversely affected if our or a service provider's information systems, critical facilities or distribution networks are disrupted (including disruption of access), are damaged or fail, whether due to physical disruptions, such as fire, natural disaster, pandemic or power outage, or due to cyber-security incidents, ransomware or other actions of third parties, including labor strikes, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product or component is manufactured at a single manufacturing facility with limited alternate facilities.

We rely on network and information systems and other technologies and a disruption, cyber-attack, failure or destruction of such networks, systems, or technologies may disrupt our business or result in liability.

Network and information systems and other technologies, including those related to our computer, data back-up and processing systems, network management, customer service operations and programming delivery, are critical to our business activities. Network and information systems-related events, such as computer hackings, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, or power outages, natural disasters, terrorist attacks or other similar events, could result in a degradation or disruption of our services or damage to our properties, equipment and data. These events also could result in large expenditures to repair or replace the damaged properties, networks or information systems or to protect them from similar events in the future.

The risk of these systems-related events and security breaches occurring has intensified, in part because we maintain certain information necessary to conduct our businesses in digital form stored on cloud servers. While we develop and maintain systems seeking to prevent systems-related events and security breaches from occurring, the development and maintenance of these systems are costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Despite these efforts, there can be no assurance that these events and security breaches will not occur in the future. Moreover, we may provide certain confidential, proprietary and personal information to third parties in connection with our businesses, and while we obtain assurances that these third parties will protect this information, there is a risk that this information could be compromised.

If any of our systems are damaged, fail to function properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and may experience loss or corruption of critical data and interruptions or delays in our ability to perform critical functions, which could adversely affect our business and results of operations. In addition, we are currently making, and expect to continue to make, substantial investments in our information technology systems and infrastructure, some of which are significant. Upgrades involve replacing existing systems with successor systems, making changes to existing systems, or cost-effectively acquiring new systems with new functionality. Implementing new systems carries significant potential risks, including failure to operate as designed, potential loss or corruption of data or information, cost overruns, implementation delays, disruption of operations, and the potential inability to meet business and reporting requirements. While we are aware of inherent risks associated with replacing these systems and believe we are taking reasonable action to mitigate known risks, these technology initiatives may not be deployed as planned or may not be timely implemented without disruption to our operations.

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In the past, we had an incident with an email account being compromised and an attempt was made to get us to wire outgoing money. We did not fall victim to the attempt, conducted a thorough investigation, performed cleanup procedures, and instituted additional security measures to mitigate the risk of this incident from occurring in the future.

Risk mitigation includes the board of directors inquiring with the information technology department on the status of cyber risks management, on a quarterly basis.

There may be losses or unauthorized access to or releases of confidential information, including personally identifiable information, that could subject the Company to significant reputational, financial, legal and operational consequences.

The Company's business requires it to use, transmit and store confidential information including, among other things, personally identifiable information ("PII") with respect to the Company's customers and employees. The Company devotes significant resources to network and data security, including through the use of encryption and other security measures intended to protect its systems and data. But these measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Company's reputation, financial condition and operating results. The Company's business also requires it to share confidential information with third parties. Although the Company takes steps to secure confidential information that is provided to third parties, such measures are not always effective and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Company's reputation, financial condition and operating results.

For example, the Company may experience a security breach impacting the Company's information technology systems that compromises the confidentiality, integrity or availability of confidential information. Such an incident could, among other things, impair the Company's ability to attract and retain customers for its products and services, impact the Company's stock price, materially damage supplier relationships, and expose the Company to litigation or government investigations, which could result in penalties, fines or judgments against the Company.

The Company has implemented systems and processes intended to secure its information technology systems and prevent unauthorized access to or loss of sensitive data. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. In addition to the risks relating to general confidential information described above, the Company is also subject to specific obligations relating to health data and payment card data. Health data is subject to additional privacy, security and breach notification requirements, and the Company can be subject to audit by governmental authorities regarding the Company's compliance with these obligations. If the Company fails to adequately comply with these rules and requirements, or if health data is handled in a manner not permitted by law or under the Company's agreements with healthcare institutions, the Company could be subject to litigation or government investigations, may be liable for associated investigatory expenses, and could also incur significant fees or fines.

Under payment card rules and obligations, if cardholder information is potentially compromised, the Company could be liable for associated investigatory expenses and could also incur significant fees or fines if the Company fails to follow payment card industry data security standards. The Company could also experience a significant increase in payment card transaction costs or lose the ability to process payment cards if it fails to follow payment card industry data security standards, which would materially adversely affect the Company's reputation, financial condition and operating results.

System errors or failures of our platform or services to conform to specifications could cause unforeseen liabilities or injury, harm our reputation and have a material adverse impact on our results of operations.

The software and technology services that we operate are complex. As with complex systems offered by others, our software and technology services may contain errors, especially when first introduced. Failure of a customer's system to perform in accordance with our documentation could constitute a breach of warranty and could require us to incur additional expenses in order to make the system comply with the documentation. If such failure is not remedied in a timely manner, it could constitute a material breach under a contract, allowing the client to cancel the contract, obtain refunds of amounts previously paid, or assert claims for significant damages.

Risks Associated with Bonum Health Telemedicine Services

The telehealth market is immature and volatile.

The telehealth market is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance and market adoption. Our success will depend to a substantial extent on the willingness of our clients' members or patients to use, and to increase the frequency and extent of their utilization of, our services, as well as on our ability to demonstrate the value of telehealth to employers, health plans, government agencies and other purchasers of healthcare for beneficiaries. Negative publicity concerning our services or the telehealth market as a whole could limit market acceptance of our services. If our clients, or their members or patients, do not perceive the benefits of our services, or if our services are not competitive, then our market may not develop at all, or it may develop more slowly than we expect. Similarly, individual and healthcare industry concerns or negative publicity regarding patient confidentiality and privacy in the context of telehealth could limit market acceptance of our healthcare services. If any of these events occurs, it could have a material adverse effect on our business, financial condition or results of operations.

Our telehealth business could be adversely affected by legal challenges to our business model or by actions restricting our ability to provide services in certain jurisdictions.

Our ability to conduct telehealth services in a particular U.S. state is dependent upon the applicable laws governing remote healthcare and the practice of medicine and healthcare delivery in general in such location which are subject to changing political, regulatory and other influences. With respect to telehealth services, such services and our ability to offer such services are subject to rules established or interpreted by state medical boards and whether such boards consider such services to be the practice of medicine. The definition of practicing medicine is subject to change and open to evolving interpretations by medical boards and state attorneys' generals, among others. Accordingly, we must monitor our compliance with laws in the jurisdictions in which we operate on an ongoing basis, and we cannot provide assurance that our activities and arrangements, if challenged, will be found to be in compliance with the law. Additionally, it is possible that the laws and rules governing the practice of medicine, including remote healthcare, in one or more jurisdictions may change in a manner which negatively effects our ability to operate. If a successful legal challenge or an adverse change in the relevant laws were to occur, and we were unable to adapt our business model accordingly, our operations in the affected jurisdictions would be disrupted, which could have a material adverse effect on our business, financial condition and results of operations.

In our telehealth business, we will be dependent on our relationships with affiliated professions and our business would be adversely affected if those relationships were disrupted.

There is a risk that state authorities in some jurisdictions may find that contractual relationships with physicians providing telehealth violate laws prohibiting the corporate practice of medicine. State corporate practice of medicine doctrines also often impose penalties on physicians themselves for aiding the corporate practice of medicine, which could discourage physicians from participating in our network of providers. A material change in our relationship with our healthcare providers, whether resulting from a dispute among the entities, a change in government regulation, or the loss of these affiliations, could impair our ability to provide services and could have a material adverse effect on our business, financial condition and results of operations.

Our telehealth business will depend on our ability to maintain and expand a network of qualified providers.

The success of our delivery through the Bonum Health app and/or Bonum Health Hubs (the "Bonum Health Business") telehealth services is dependent upon our ability to maintain a network of qualified telehealth providers. If we are unable to recruit and retain board-certified physicians and other healthcare professionals, it would have a material adverse effect on our "Bonum Health" Business and our ability to grow its operations. We may not be willing to pay the costs demanded by such services providers and/or changes in Medicare and/or Medicaid reimbursement levels and other pressures on healthcare providers and consolidation activity among hospitals, physician groups and healthcare providers may make such providers harder or more expensive to find and contract with. The result of the above may be that our Bonum Health Business telehealth

services are unsuccessful, which may result in a material adverse effect to our operations.

Rapid technological change in the telehealth industry presents us with significant risks and challenges.

The telehealth market is characterized by rapid technological change, changing consumer requirements, short product lifecycles and evolving industry standards. Our success will depend on our ability to enhance our offerings with next-generation technologies and to develop or to acquire and market new services. There is no guarantee that we will possess the resources, either financial or personnel, for the research, design and development of new applications or services, or that we will be able to utilize these resources successfully and avoid technological or market obsolescence. Further, there can be no assurance that technological advances by one or more of our competitors or future competitors will not result in our present or future software-based products and services becoming uncompetitive or obsolete.

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The telehealth industry is competitive, and if we are not able to compete effectively, our business, financial condition and results of operations will be harmed.

While the telehealth market is in an early stage of development, it is competitive and we expect it to attract increased competition, which could make it difficult for us to succeed. We currently face competition in the telehealth industry from a range of companies, including specialized software and solution providers that offer similar solutions, often at substantially lower prices, and that are continuing to develop additional products and becoming more sophisticated and effective. These competitors include Doctor On Demand, MDLive, Teladoc and others. In addition, large, well-financed health systems have in some cases developed their own telehealth tools and provide these solutions to their customers at discounted prices. The surge in interest in telehealth, and in particular the relaxation of HIPAA privacy and security requirements, has also attracted new competition from providers who utilize consumer-grade video conferencing platforms such as Zoom, Microsoft Teams, Google Meet and Twilio. Competition from large software companies or other specialized solution providers, communication tools and other parties could result in continued pricing pressures, which is likely to lead to price declines in certain product segments, which could negatively impact our future market, sales, profitability and market share (if any). If we are unable to successfully compete in the telehealth market, our business, financial condition and results of operations could be materially adversely affected.

The emergence of new technologies may render our telehealth solution obsolete or require us to expend significant resources in order to remain competitive.

The U.S. healthcare industry is massive, with a number of large market participants with conflicting agendas, and it is subject to significant government regulation and is currently undergoing significant change. Changes in the telehealth industry, for example, such as the emergence of new technologies as more competitors enter our market, could result in our telehealth solution being less desirable or relevant. If healthcare benefits trends shift or entirely new technologies are developed that replace existing solutions, our existing or future products could be rendered obsolete, and our business could be adversely affected. In addition, we may experience difficulties with industry standards, design or marketing that could delay or prevent our development, introduction or implementation of new applications and enhancements.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread adoption of our products and attracting new clients. Our brand promotion activities may not generate client awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in doing so, we may fail to attract or retain clients necessary to realize a sufficient return on our brand-building efforts or to achieve the widespread brand awareness that is critical for broad client adoption of our solution.

Risks Associated with Our Governing Documents and Delaware Law

Our certificate of incorporation provides for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors.

Our certificate of incorporation provides for indemnification as follows: "To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of, and advancement of expenses to, such agents of the Corporation (and any other persons to which Delaware law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the Delaware General Corporation Law (the "DGCL"), subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to the Corporation, its stockholders and others." Our obligation to indemnify our officers and directors may discourage stockholders from bringing a lawsuit against our officers or directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against our officers and directors, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against our officers and directors pursuant to these indemnification provisions.

We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under federal securities laws is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification for liabilities arising under federal securities laws, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with our activities, we will (unless in the opinion of our counsel, the matter has been settled by controlling precedent) submit to a court of appropriate jurisdiction, the question whether indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The legal process relating to this matter if it were to occur is likely to be very costly and may result in us receiving negative publicity, either of which factors is likely to materially reduce the market and price for our shares.

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Our certificate of incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company's stockholders and requires us, under certain circumstances, to indemnify officers, directors and employees.

The limitation of monetary liability against our directors, officers and employees under Delaware law and the existence of indemnification rights to them may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our certificate of incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company's stockholders, including as a result of a breach of their fiduciary duties, except to the extent such exception from liability is not permitted under the DGCL. We also have contractual indemnification obligations under our employment and engagement agreements with our executive officers and directors, as well as pursuant to indemnification agreements. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against our directors and officers, which the Company may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers, even though such actions, if successful, might otherwise benefit us and our stockholders.

Our directors have the right to authorize the issuance of shares of preferred stock and additional shares of our common stock.

Our directors, within the limitations and restrictions contained in our certificate of incorporation and without further action by our stockholders, have the authority to issue shares of preferred stock from time to time in one or more series and to fix the number of shares and the relative rights, conversion rights, voting rights, and terms of redemption, liquidation preferences and any other preferences, special rights and qualifications of any such series. Any issuance of shares of preferred stock could adversely affect the rights of holders of our common stock. Should we issue additional shares of our common stock at a later time, each investor's ownership interest in our stock would be proportionally reduced.

Anti-takeover provisions may impede the acquisition of the Company.

Certain provisions of the DGCL have anti-takeover effects and may inhibit a non-negotiated merger or other business combination, notwithstanding the fact that our certificate of incorporation provides that we are not subject to Section 203 of the DGCL, which relates to certain restrictions on business combinations with interested stockholders. These provisions are intended to encourage any person interested in acquiring the Company to negotiate with, and to obtain the approval of, our directors, in connection with such a transaction. As a result, certain of these provisions may discourage a future acquisition of the Company, including an acquisition in which the stockholders might otherwise receive a premium for their shares. In addition, we can also authorize "blank check" preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock.

Compliance, Reporting and Listing Risks

We incur significant costs to ensure compliance with U.S. and NASDAQ Capital Market reporting and corporate governance requirements.

We incur significant costs associated with our public company reporting requirements and with applicable U.S. and NASDAQ Capital Market corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC and The NASDAQ Capital Market. The rules of The NASDAQ Capital Market include requiring us to maintain independent directors, comply with other corporate governance requirements and pay annual listing and stock issuance fees. All of such SEC and NASDAQ obligations require a commitment of additional resources including, but not limited to, additional expenses, and may result in the diversion of our senior management's time and attention from our day-to-day operations. We expect all of these applicable rules and regulations to significantly increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as executive officers.

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

We are an SEC-reporting company. The rules and regulations under the Exchange Act require reporting companies to provide periodic reports with interactive data files, which require that we engage legal, accounting and auditing professionals, and inline eXtensible Business Reporting Language (iXBRL) and EDGAR (Electronic Data Gathering, Analysis, and Retrieval) service providers. The engagement of such services can be costly, and we may continue to incur additional losses, which may adversely affect our ability to continue as a going concern. In addition, the Sarbanes-Oxley Act of 2002, as well as a variety of related rules implemented by the SEC, have required changes in corporate governance practices and generally increased the disclosure requirements of public companies. For example, as a result of being a reporting company, we are required to file periodic and current reports and other information with the SEC, and we have adopted policies regarding disclosure controls and procedures and regularly evaluate those controls and procedures.

The additional costs we continue to incur in connection with becoming a reporting company (expected to be several hundred thousand dollars per year) will continue to further stretch our limited capital resources. Due to our limited resources, we have to allocate resources away from other productive uses in order to continue to comply with our obligations as an SEC reporting company. Further, there is no guarantee that we will have sufficient resources to continue to meet our reporting and filing obligations with the SEC as they come due.

We may not be able to comply with NASDAQ's continued listing standards.

Our common stock was approved for listing on The NASDAQ Capital Market under the symbol "MEDS", in February 2020. Notwithstanding such listing, there can be no assurance any broker will be interested in trading our stock. Therefore, it may be difficult to sell your shares of common stock if you desire or need to sell them. Our underwriters are not obligated to make a market in our securities, and even if they do make a market, they can discontinue market-making at any time without notice. Neither we nor the underwriters can provide any assurance that an active and liquid trading market in our securities will develop or, if developed, that such a market will continue.

There is also no guarantee that we will be able to maintain our listing on The NASDAQ Capital Market for any period of time by perpetually satisfying NASDAQ's continued listing requirements. Our failure to continue to meet these requirements may result in our securities being delisted from NASDAQ.

Among the conditions required for continued listing on The NASDAQ Capital Market, NASDAQ requires us to maintain at least \$2.5 million in stockholders' equity or \$500,000 in net income over the prior two years or two of the prior three years, to have a majority of independent directors, an audit committee of at least three independent directors (subject to certain limited exceptions), and to maintain a stock price over \$1.00 per share. Our stockholders' equity may not remain above NASDAQ's \$2.5 million minimum, we may not generate over \$500,000 of yearly net income, we may not be able to maintain independent directors or an audit committee of at least three independent directors (subject to certain limited exceptions), and we may not be able to maintain a stock price over \$1.00 per share. If we fail to timely comply with the applicable requirements, our stock may be delisted. In addition, even if we demonstrate compliance with the requirements above, we will have to continue to meet other objective and subjective listing requirements to continue to be listed on The NASDAQ Capital Market. Delisting from The NASDAQ Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a NASDAQ Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult, and the trading volume and liquidity of our stock could decline. Delisting from The NASDAQ Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by NASDAQ, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB Market or the OTC Pink market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. In the event our common stock is delisted from The NASDAQ Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

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On July 29, 2022, the Listing Qualifications department of The Nasdaq Stock Market LLC (the "Staff") notified the Company that it did not comply with the minimum \$2,500,000 stockholders' equity requirement for continued listing set forth in Nasdaq Listing Rule 5550(b) (the "Rule"); however, the Staff on October 17, 2022, granted the Company's request for an extension until January 25, 2023, to comply with this requirement.

On January 30, 2023, the Company received a delist determination letter from the Staff advising the Company that the Staff had determined that the Company did not meet

the terms of the extension. Specifically, the Company did not complete its proposed transactions and was unable to file a Current Report Form 8-K by the January 25, 2023 deadline previously required by the Staff, evidencing compliance with the Rule.

As a result, on February 6, 2023, the Company submitted a hearing request to the Nasdaq Hearings Panel (the "Panel"), which request will stay any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires.

At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders' equity requirement. In the interim, the Company's common stock will continue to trade on Nasdaq under the symbol "MEDS" at least pending the ultimate conclusion of the hearing process.

There can be no assurance that the Company's plan will be accepted by the Panel or that, if it is, the Company will be able to regain compliance with the applicable Nasdaq listing requirements. If the Company's common stock is delisted, it could be more difficult to buy or sell the Company's common stock or to obtain accurate quotations, and the price of the Company's common stock could suffer a material decline. Delisting could also impair the Company's ability to raise capital.

We are currently prohibited from filing any new registration statements on Form S-3 and effective upon the date that our Annual Report on Form 10-K for the year ended December 31, 2022 is filed with the Commission, we will be prohibited from using our Shelf Form S-3 until at least October 2023.

Due to our inadvertent failure to timely file a Current Report on Form 8-K, we are currently prohibited from using Form S-3 to register securities with the Commission. Separately, effective on the date that we file our Annual Report on Form 10-K for Fiscal 2022, our ability to use our previously effective shelf Form S-3, will be suspended until at least October 2023. As a result, we will be required to use Form S-1, a longer-form registration statement for future offerings, and will be prohibited, after the date this report is filed, until at least October 2023, from undertaking at-the-market offerings. Furthermore, in the event that the Pre-Funded Warrants have not been exercised in full by such date, the shares of common stock issuable upon exercise of the Pre-Funded Warrants will need to be registered on Form S-1 in order to continue to be registered under the Securities Act.

Regulatory Risks

Regulatory changes that affect our distribution channels could harm our business.

At the federal level, track and trace legislation requiring the use of pharmaceutical pedigree may restrict and disrupt the movement of pharmaceuticals along the supply chain should the cost of complying with this legislation be too burdensome for smaller suppliers. Changes in the United States healthcare industry and regulatory environment could have a material adverse impact on our results of operations.

Many of our products and services are intended to function within the structure of the healthcare financing and reimbursement system currently being used in the United States. In recent years, the healthcare industry in the United States has changed significantly in an effort to enhance efficiencies, reduce costs and improve patient outcomes. These changes have included cuts in Medicare and Medicaid reimbursement levels, changes in the basis for payments, shifting away from fee-for-service and towards value-based payments and risk-sharing models, increases in the use of managed care, and consolidation in the healthcare industry generally. We expect that the healthcare industry in the United States shall continue to change and evolve in the near future. Changes in the healthcare industry's (or our pharmaceutical suppliers') pricing, selling, inventory, distribution or supply policies or practices could significantly reduce our revenues and net income. Additionally, if we experience disruptions in our supply of generic drugs, our margins could be adversely affected.

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We distribute generic pharmaceuticals, which can be subject to both price deflation and price inflation. Continued volatility in the availability, pricing trends or reimbursement of these generic drugs, or significant fluctuations in the nature, frequency and magnitude of generic pharmaceutical launches, could have a material adverse impact on our results of operations. Additionally, any future changes in branded and generic drug pricing could be significantly different than our projections. Generic drug manufacturers are increasingly challenging the validity or enforceability of patents on branded pharmaceutical products. During the pendency of these legal challenges, a generic drugs manufacturer may begin manufacturing and selling a generic version of the branded product prior to the final resolution of its legal challenge over the branded product's patent. To the extent we source, contract manufacture, and distribute such generic products, the brand-name company could assert infringement claims against us. While we generally obtain indemnification against such claims from generic manufacturers as a condition of distributing their products, these rights may not be adequate or sufficient to protect us.

We are also required to comply with various state pricing gouging laws.

The healthcare industry is highly regulated, and further regulation of our distribution businesses and technology products and services could impose increased costs, negatively impact our profit margins and the profit margins of our customers, delay the introduction or implementation of our new products, or otherwise negatively impact our business and expose us to litigation and regulatory investigations.

Healthcare fraud laws are often vague and uncertain, exposing us to potential liability.

We are subject to extensive, and frequently changing, local, state and federal laws and regulations relating to healthcare fraud, waste and abuse. Local, state and federal governments continue to strengthen their position and scrutiny over practices involving fraud, waste and abuse affecting Medicare, Medicaid and other government healthcare programs. Many of the regulations applicable to us, including those relating to marketing incentives, are vague or indefinite and have not been interpreted by the courts. The regulations may be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that could require us to make changes in our operations. If we fail to comply with applicable laws and regulations, we could become liable for damages and suffer civil and criminal penalties, including the loss of licenses or our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Laws reducing reimbursements for pharmaceuticals could negatively affect our industry.

Both our profit margins and the profit margins of our customers may be adversely affected by laws and regulations reducing reimbursement rates for pharmaceuticals, medical treatments and related services, or changing the methodology by which reimbursement levels are determined. The federal government may adopt measures that could reduce Medicare or Medicaid spending, or impose additional requirements on healthcare entities. We cannot predict what alternative or additional deficit reduction initiatives or Medicare payment reductions, if any, will ultimately be enacted into law, or the timing or effect any such initiatives or reductions would have on us. Any of the changes discussed above may have a material adverse impact on our results of operations, cash flows, prospects and/or the value of our securities.

Operating, security and licensure standards of federal agencies challenge our ability to comply with applicable laws and regulations.

We are subject to the operating and security standards of the Drug Enforcement Administration (the DEA), the U.S. Food and Drug Administration (the FDA), various state boards of pharmacy, state health departments, the U.S. Department of Health and Human Services (HHS), the Centers for Medicare & Medicaid Services (CMS), and other comparable agencies. We are also subject to certain state laws relating to price gouging. Although we have enhanced our procedures to ensure compliance, a regulatory agency or tribunal may conclude that our operations are not compliant with applicable laws and regulations. In addition, we may be unable to maintain or renew existing permits, licenses or any other regulatory approvals or obtain without significant delay, future permits, licenses or other approvals needed for the operation of our businesses. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could lead to litigation and have a material adverse impact on our results of operations.

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Pedigree tracking laws and regulations could increase our regulatory burdens.

Congress and state and federal agencies, including state boards of pharmacy and departments of health and the FDA, have made increased efforts in the past year to regulate the pharmaceutical distribution system in order to prevent the introduction of counterfeit, adulterated or mislabeled drugs into the pharmaceutical distribution system (otherwise known as "pedigree tracking"). In November 2013, Congress passed (and President Barack Obama signed into law) the Drug Quality and Security Act (the "DQSA"). The DQSA establishes federal standards requiring supply-chain stakeholders to participate in an electronic, interoperable, lot-level prescription drug track-and-trace system. The law also preempts state drug pedigree requirements and establishes new requirements for drug wholesale distributors and third-party logistics providers, including licensing requirements in states that had not previously licensed such entities.

In addition, the Food and Drug Administration Amendments Act of 2007 requires the FDA to establish standards and identify and validate effective technologies for the purpose of securing the pharmaceutical supply chain against counterfeit drugs. These standards may include track-and-trace or authentication technologies, such as radio frequency identification devices, 2D data matrix barcodes, and other similar technologies. On March 26, 2010, the FDA released the Serialized Numerical Identifier (the "SNI") guidance for manufacturers who serialize pharmaceutical packaging. To date we have been able to accommodate these SNI regulations in our distribution operations. The DQSA and other pedigree tracking laws and regulations have increased the overall regulatory burden and costs associated with our pharmaceutical distribution business and have had a material adverse impact on our results of operations.

We are uncertain how new privacy laws shall be interpreted.

There are numerous federal and state laws and regulations related to the privacy and security of personal information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) establish privacy and security standards that limit the use and disclosure of individually identifiable health information (known as "protected health information") and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. We are directly subject to certain provisions of the regulations as a "Business Associate" through our relationships with customers. We are also directly subject to the HIPAA privacy and security regulations as a "Covered Entity" with respect to our operations as a healthcare clearinghouse, specialty pharmacy and medical surgical supply business. If we are unable to properly protect the privacy and security of protected health information entrusted to us, we could be found to have breached our contracts with our customers. Further, if we fail to comply with applicable HIPAA privacy and security standards, we could face civil and criminal penalties. Although we have implemented and continue to maintain policies and processes to assist us in complying with these regulations and our contractual obligations, we cannot provide assurances regarding how these regulations will be interpreted, enforced or applied by the government and regulators to our operations. In addition to the risks associated with enforcement activities and potential contractual liabilities, our ongoing efforts to comply with evolving laws and regulations at the federal and state level might also require us to make costly system purchases /or modifications from time to time.

We might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models.

Many of our products and services are designed and intended to function within the structure of current healthcare financing and reimbursement systems. The healthcare industry and related government programs are changing. Some of these changes increase our risks and create uncertainties for our business.

For example, some changes in reimbursement methodologies (including government rates) for pharmaceuticals, medical treatments and related service reduces profit margins for us and our customers and impose new legal requirements on healthcare providers. Those changes have included cuts in Medicare and Medicaid reimbursement levels, changes in the basis for payments, shifting away from fee-for-service and toward value-based payment and risk-sharing models, and increases in the use of managed care.

In the U.S., the Patient Protection and Affordable Care Act ("ACA") significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payers. There are continued efforts to challenge the ACA. There are also efforts to broaden healthcare coverage. U.S. lawmakers also have explored proposals to reduce drug prices, including requiring price transparency and drug importation measures. These proposals might result in significant changes in the pharmaceutical value chain as manufacturers, PBM, managed care organizations and other industry stakeholders look to implement new transactional flows and adapt their business models.

Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic manufacturers.

Many European governments provide or subsidize healthcare to consumers and regulate pharmaceutical prices, patient eligibility and reimbursement levels in order to control government healthcare system costs. Some European governments have implemented or are considering austerity measures to reduce healthcare spending. These measures exert pressure on the pricing and reimbursement timelines for pharmaceuticals and may cause our customers to purchase fewer of our products and services or influence us to reduce prices.

Medical billing and coding laws may subject us to fines and investigations.

Medical billing, coding and collection activities are governed by numerous federal and state civil and criminal laws. In connection with these laws, we may be subjected to federal, or state government investigations and possible penalties may be imposed upon us, false claims actions may have to be defended, private payers may file claims against us, and we may be excluded from Medicare, Medicaid or other government-funded healthcare programs. Any such proceeding or investigation could have a material adverse impact on our results of operations.

It may be difficult and costly for us to comply with the extensive government regulations to which our business is subject.

Our operations are subject to extensive regulation by the U.S. federal and state governments. In addition, as we expand our operations, we may also become subject to the regulations of foreign jurisdictions, as well as additional regulations relating to environmental matters, transportation of pharmaceutical products, shipping restrictions, and import and export restrictions. We are also required to comply with various state pricing gouging laws.

Further, the enactment of new rules and regulations could adversely affect our business. Depending on future enforcement or additional rules and regulations created around it, pharmaceutical pricing controls could be established, resulting in substantially reduced margins and limited reimbursement for pharmacies and all other healthcare provider bases. In turn, this may adversely affect our cash flow, profitability, and growth.

Risks Relating to Our Industry in General

The public health crisis involving the abuse of prescription opioid pain medication could have a material negative effect on our business.

Our Pharmaceutical segment distributes prescription opioid pain medications. In recent years, the abuse of prescription opioid pain medication has become a public health crisis.

A significant number of counties, municipalities and other plaintiffs, including a number of state attorney generals, have filed lawsuits against pharmaceutical manufacturers, pharmaceutical wholesale distributors, retail chains and others relating to the manufacturing, marketing or distribution of prescription opioid pain medications. The defense and resolution of future lawsuits and events relating to these lawsuits could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity or have adverse reputational or operational effects on our business.

Other legislative, regulatory or industry measures related to the public health crisis involving the abuse of prescription opioid pain medication and the distribution of these medications could affect our business in ways that we may not be able to predict. For example, several states have now adopted taxes or other fees on the sale of opioids, and several other states have proposed similar legislative initiatives. These laws and proposals vary in the tax amounts imposed and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted.

Changes to the U.S. healthcare environment may not be favorable to us.

Over a number of years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include adoption of the Patient Protection and Affordable Care Act (ACA), a general decline in Medicare and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models, and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

We expect the U.S. healthcare industry to continue to change significantly in the future. Possible changes include repeal and replacement of major parts of the Patient Protection and Affordable Care Act, further reduction or limitations on governmental funding at the state or federal level, efforts by healthcare insurance companies to further limit payments for products and services or changes in legislation or regulations governing prescription pharmaceutical pricing, healthcare services or mandated benefits. These possible changes, and the uncertainty surrounding these possible changes, may cause healthcare industry participants to reduce the number of products and services they purchase from us or the price they are willing to pay for our products and services, which could adversely affect us.

Consolidation in the U.S. healthcare industry may negatively impact our results of operations.

In recent years, U.S. healthcare industry participants, including distributors, manufacturers, suppliers, healthcare providers, insurers and pharmacy chains, have consolidated or formed strategic alliances. Consolidations create larger enterprises with greater negotiating power, and also could result in the possible loss of a customer where the combined enterprise selects one distributor from two incumbents. If this consolidation trend continues, it could adversely affect our results of operations.

Accounting Risks

We have identified material weaknesses in our internal control over financial reporting and controls and procedures which could, if not remediated, adversely affect our ability to report our financial condition, cash flows and results of operations in a timely and accurate manner and/or increase the risk of future misstatements, which could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our shares of common stock and/or debt securities to decline.

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. As reported under "Item 9A. Controls and Procedures", as of December 31, 2022, our CEO and CFO have determined that our disclosure controls and procedures were not effective. Additionally, our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. As disclosed below under "Item 9A. Controls and Procedures", based on reviews conducted by management, we have concluded that a material weakness exists and has existed since approximately 2014 in the Company's internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified in our controls and procedures as of December 31, 2022, included the fact that (1) The Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes, and (2) the Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.

The material weaknesses identified in our internal control over financial reporting include the fact that: the Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes; and the Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.

Maintaining effective disclosure controls and procedures and effective internal control over financial reporting are necessary for us to produce reliable financial statements and the Company is committed to remediating its material weaknesses in such controls as promptly as possible.

Since Fiscal 2014 when the material weakness became effective, the Company has identified certain remediation actions and has implemented or is in the process of implementing them, many efforts are not complete and remain in process. If we do not complete our remediation in a timely manner or if our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses in our internal controls and/or controls and procedures are discovered or occur in the future, it may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner and there will continue to be an increased risk of future misstatements. Although we regularly review and evaluate internal controls systems to allow management to report on the effectiveness of our internal controls over financial reporting and controls and procedures, we may discover additional weaknesses in our internal controls over financial reporting or disclosure controls and procedures. The next time we evaluate our internal controls over financial reporting and disclosure controls and procedures, if we identify one or more new material weaknesses or have been unable to timely remediate our existing material weaknesses, we would be unable to conclude that our internal controls over financial reporting or disclosure controls and procedures are effective. If we are unable in the future to conclude that our internal controls over financial reporting or our disclosure controls and procedures are effective, we may not be able to report our financial condition and results of operations in a timely and accurate manner, which could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our shares of common stock to decline. In addition, any potential future restatements could subject us to additional

adverse consequences, including sanctions by the SEC, stockholder litigation and other adverse actions. Moreover, we may be the subject of further negative publicity focusing on such financial statement adjustments and resulting restatement and negative reactions from our stockholders, creditors or others with whom we do business. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our shares of common stock to decline.

We may experience adverse impacts on our reported results of operations as a result of adopting new accounting standards or interpretations.

Our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, have not affected our reported financial position or operating results to date or cause unanticipated fluctuations in our reported operating results in future periods.

A significant amount of our revenues has historically been due to only a small number of customers and we depend on a small number of major wholesalers, and if we were to lose any of those customers or suppliers, our results of operations would be adversely affected.

During Fiscal 2022 and Fiscal 2021, no sales to customers represented greater than 10% of revenue. In the event our customers do not pay us amounts owed, sales to such customers cease or we are unable to find new customers moving forward, it could have a materially adverse effect on our results of operations. We have a working relationship with over 25 wholesalers and the nation's largest buying group. Although we believe those entities are satisfied with their business relationship with Trxade, if our buying group and two or three of the largest wholesalers decided no longer to do business with Trxade, and we were unable to find additional entities to step into their shoes, the resulting supplier void would materially and adversely affect our competitiveness in the marketplace, and could cause a material adverse effect on our results of operations.

We might be harmed by changes in our relationships or contracts with suppliers.

We attempt to structure our agreements with wholesalers to ensure that we are appropriately and predictably compensated for the services we provide. We cannot control the frequency or magnitude of pharmaceutical price changes. We might be unable to renew agreements with wholesalers in a timely and favorable manner. Any of these risks might have a materially adverse impact on our business operations and our financial positions or results of operations.

Risks Related to Our Common Stock and Organizational Documents

Our common stock has in the past been a "penny stock" under SEC rules, and may be subject to the "penny stock" rules in the future. It may be more difficult to resell securities classified as "penny stock."

In the past (including immediately prior to our common stock being listed on The NASDAQ Capital Market in February 2020), our common stock was a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below \$5.00). While our common stock is not now considered a "penny stock" because it is listed on The NASDAQ Capital Market, if we are unable to maintain that listing, unless we maintain a per-share price above \$5.00, our common stock will become "penny stock." These rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

On November 29, 2022, the Company received written notice (the "Notification Letter") from Nasdaq notifying the Company that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of thirty (30) consecutive business days. Based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days from October 14, 2022 to November 28, 2022, the Company no longer meets the minimum bid price requirement.

The Notification Letter does not impact the Company's listing of its common stock on the Nasdaq Capital Market at this time. The Notification Letter states that the Company has 180 calendar days or until May 29, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by May 29, 2023, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market initial listing criteria (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, the Company's common stock will be subject to delisting, at which point the Company would have an opportunity to appeal the delisting determination to a Hearings Panel.

The Company intends to monitor the closing bid price of its common stock and may, if appropriate, consider implementing available options to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

Legal remedies available to an investor in "penny stocks" may include the following:

- If a "penny stock" is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.
- If a "penny stock" is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to resell our common stock.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance at what time, if ever, our common stock will not be classified as a "penny stock" in the future.

Penny stocks are generally considered to be high-risk investments. There are several factors that contribute to the high-risk nature of penny stocks, including:

- Volatility: Penny stocks are known for their extreme price fluctuations. This volatility can be caused by a number of factors, including changes in the overall stock market, news about the company or industry, and changes in investor sentiment.
- Lack of liquidity: Penny stocks are often traded on over-the-counter markets, which can make them more difficult to buy and sell. This lack of liquidity can increase the risk of large price swings and can make it difficult to exit a position if needed.
- Lack of information: Many penny stock companies are not required to file regular reports with the Securities and Exchange Commission (SEC), which means there may be limited information available to investors. This can make it difficult to evaluate the financial health of the company and to make informed investment decisions.
- Manipulation: Because of their low trading volumes and lack of regulatory oversight, penny stocks can be vulnerable to market manipulation. This can include practices such as "pump and dump" schemes, where investors artificially inflate the price of a stock before selling their shares for a profit.

Overall, it's important to approach penny stocks with caution and to thoroughly research any investment before making a decision. It's also a good idea to diversify your portfolio and to limit your exposure to any one stock or sector.

A significant number of our shares are eligible for sale and their sale or potential sale may depress the market price of our common stock.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. Most of our common stock is available for resale in the public market, and if sold would increase the supply of our common stock, thereby causing a decrease in its price. Some or all of our shares of common stock may be offered from time to time in the open market pursuant to effective registration statements and/or compliance with Rule 144, which sales could have a depressive effect on the market for our shares of common stock. Subject to certain restrictions, a person who has held restricted shares for a period of six months may generally sell common stock into the market. The sale of a significant portion of such shares when such shares are eligible for public sale may cause the value of our common stock to decline in value.

There may not be sufficient liquidity in the market for our securities in order for investors to sell their shares. The market price of our common stock may continue to be volatile.

The market price of our common stock will likely continue to be highly volatile. Some of the factors that may materially affect the market price of our common stock are beyond our control, such as conditions or trends in the industry in which we operate or sales of our common stock. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable.

As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a mature issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. It is possible that a broader or more active public trading market for our common stock will not develop or be sustained, or that trading levels will not continue. These factors may materially adversely affect the market price of our common stock, regardless of our performance. In addition, the public stock markets have experienced extreme price and trading volume volatility. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

The exercise of outstanding warrants, options and shares issued in connection with a joint venture and acquisition will be dilutive to our existing stockholders.

As of the date of this Report, we had 10,110,978 shares of our common stock issued and outstanding and the following securities, which are exercisable into shares of our common stock:

- 26,924 shares of our common stock issuable upon the exercise of warrants with a weighted-average exercise price of \$0.06; and
- 257,506 shares of our common stock issuable upon the exercise of options with exercise prices ranging from \$2.46 per share to \$9.60 per share, with a weighted average price of \$3.89.

For the life of the options and warrants, the holders have the opportunity to profit from a rise in the market price of our common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding securities will also dilute the ownership interests of our existing stockholders.

The availability of these shares for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. Certain of the shares of common stock underlying outstanding options will be available for resale immediately in the public market without restriction.

We cannot predict the size of future issuances of our common stock pursuant to the exercise of outstanding options or warrants, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

We have never paid or declared any dividends on our common stock.

We have never paid or declared any dividends on our common stock or preferred stock. Likewise, we do not anticipate paying, in the near future, dividends or distributions on our common stock. Any future dividends on common stock will be declared at the discretion of our Board of Directors and will depend, among other things, on our earnings, our financial requirements for future operations and growth, and other facts as we may then deem appropriate. Since we do not anticipate paying cash dividends on our common stock, return on your investment, if any, will depend solely on an increase, if any, in the market value of our common stock.

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

The market price of our common stock has been volatile in the past and the market price of our common stock is likely to be highly volatile in the future. You may not be able to resell shares of our common stock following periods of volatility because of the market's adverse reaction to volatility.

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

- actual or anticipated fluctuations in our operating results;
- the absence of securities analysts covering us and distributing research and recommendations about us;
- we may have a low trading volume for a number of reasons, including that a large portion of our stock is closely held;

- overall stock market fluctuations;
- announcements concerning our business or those of our competitors;
- actual or perceived limitations on our ability to raise capital when we require it, and to raise such capital on favorable terms;
- conditions or trends in our industry;
- litigation;
- changes in market valuations of other similar companies;
- future sales of common stock;
- departure of key personnel or failure to hire key personnel; and
- general market conditions.

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

Our Chief Executive Officer and President are two of our largest stockholders and, as a result, they can exert influence over us and have actual or potential interests that may differ from yours.

Mr. Suren Ajarapu, our CEO, and Mr. Prashant Patel, our President, beneficially own, in the aggregate, over 47% of our common stock. As a result, these stockholders, acting together, will be able to influence many matters requiring stockholder approval, including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control, and could deprive our stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our company and may affect the market price of our stock.

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Further, Mr. Ajarapu and Mr. Patel may have interests that differ from those of other holders of our common stock. As a result, Mr. Ajarapu and Mr. Patel may vote the shares they own or control or otherwise cause us to take actions that may conflict with your best interests as a stockholder, which could adversely affect our results of operations and the trading price of our common stock.

Through this influence, Mr. Ajarapu and Mr. Patel can influence our management, affairs and all matters requiring stockholder approval, including the approval of significant corporate transactions, a sale of our company, decisions about our capital structure and the composition of our Board of Directors.

Our common stock may continue to be followed by only a limited number of analysts and there may continue to be a limited number of institutions acting as market makers for our common stock.

For the foreseeable future, our common stock is unlikely to be followed by a significant number of market analysts, and there may be few institutions acting as market makers for our common stock. Either of these factors could adversely affect the liquidity and trading price of our common stock. Until our common stock is fully distributed, and an orderly market develops in our common stock, if ever, the price at which it trades is likely to fluctuate significantly. Prices for our common stock are determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for shares of our common stock, developments affecting our business, including the impact of the factors referred to elsewhere in these Risk Factors, investor perception of us and general economic and market conditions. No assurances can be given that an orderly or liquid market will ever develop for the shares of our common stock.

Our bylaws require, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, other employees or stockholders for breach of fiduciary duty and certain other actions may be brought only in the Court of Chancery in the State of Delaware, and if brought outside of Delaware, the stockholder bringing the suit will, subject to certain exceptions, be deemed to have consented to service of process on such stockholder's counsel, which may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders.

Our bylaws require that unless the Company consents in writing to an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company; (b) any action asserting a claim of breach of fiduciary duty owed by, or other wrongdoing by, any director, officer, employee or agent of the Company to the Company or the Company's stockholders; (c) any action asserting a claim arising pursuant to any provision of Delaware General Corporation Law or the certificate of incorporation or bylaws of the Company; (d) any action to interpret, apply, enforce or determine the validity of the certificate of incorporation or bylaws of the Company; or (e) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein (or such indispensable parties consenting to the personal jurisdiction of the Court of Chancery within 10 days following any determination by the Court of Chancery that an indispensable party is not subject to such personal jurisdiction); provided that, if the Court of Chancery of the State of Delaware dismisses any action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our bylaws. This choice of forum provision may limit or make more costly a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

As described above, our bylaws provide that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law, subject to certain exceptions. However, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. We also note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act, creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

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Our stockholders have no right to call special meetings of stockholders.

Our bylaws provide that special meetings of our stockholders may be called only by the chairperson of the board of directors, the chief executive officer or president (in the absence of a chief executive officer). Because our stockholders do not have the right to call a special meeting, a stockholder could not force stockholder consideration of a proposal over the opposition of our board of directors by calling a special meeting of stockholders prior to such time as the chairperson of the board of directors, the chief executive officer or president (in the absence of a chief executive officer) believed the matter should be considered or until the next annual meeting provided that the requestor met the notice requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace our board of directors also could be delayed until the next annual meeting.

Provisions in our certificate of incorporation and bylaws may inhibit a takeover of us, which could limit the value of our securities and could entrench management.

Our certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include the ability of the board of directors to designate the terms of and issue new series of preferred shares and the requirement to receive the affirmative vote of holders of at least two-thirds of the outstanding capital stock of the Company to amend any provision of the bylaws of the Company, without Board of Directors approval (which Board of Directors approved amendments may be affected solely by the Board of Directors, without stockholder approval, subject to certain exceptions, without stockholder approval), which may make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. These provisions may make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

Risks Relating to The JOBS Act

The JOBS Act allows us to postpone the date by which we must comply with certain laws and regulations and to reduce the amount of information provided in reports filed with the SEC. We cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make our common stock less attractive to investors.

We are and we will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenues equal or exceed \$1.07 billion (subject to adjustment for inflation), (ii) the last day of the end of our 2024 fiscal year (5 years from our first public offering), (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt, or (iv) the date on which we are deemed a "large accelerated filer" (with at least \$700 million in public float) under the Exchange Act. For so long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" as described in further detail in the risk factors below. We cannot predict if investors will find our common stock less attractive because we will rely on some or all of these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. If we avail ourselves of certain exemptions from various reporting requirements, as is currently our plan, our reduced disclosure may make it more difficult for investors and securities analysts to evaluate us and may result in less investor confidence.

Our election not to opt out of the JOBS Act extended accounting transition period may create difficulty in comparing our financial statements to the financial statements of other companies.

Pursuant to the JOBS Act, as an "emerging growth company", we can elect to opt out of the extended transition period for any new or revised accounting standards that may be issued by the Public Company Accounting Oversight Board (PCAOB) or the SEC. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an "emerging growth company", can adopt the standard for the private company. This may make a comparison of our financial statements with any other public company which is not either an "emerging growth company" nor an "emerging growth company" which has opted out of using the extended transition period, more difficult or impossible as possible different or revised standards may be used.

The JOBS Act also allows us to postpone the date by which we must comply with certain laws and regulations intended to protect investors and to reduce the amount of information provided in reports filed with the SEC.

The JOBS Act is intended to reduce the regulatory burden on "emerging growth companies". The Company meets the definition of an "emerging growth company" and so long as it qualifies as an "emerging growth company," it will, among other things:

- be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;
- be exempt from the "say on pay" provisions (requiring a non-binding stockholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding stockholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and certain disclosure requirements of the Dodd-Frank Act relating to compensation of Chief Executive Officers;

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- be permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Exchange Act and instead provide a reduced level of disclosure concerning executive compensation; and
- be exempt from any rules that may be adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report on the financial statements.

The Company has and intends to continue to take advantage of all of the reduced regulatory and reporting requirements that will be available to it so long as it qualifies as an "emerging growth company". The Company has elected not to opt out of the extension of time to comply with new or revised financial accounting standards available under Section 102(b)(1) of the JOBS Act. Among other things, this means that the Company's independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of the Company's internal control over financial reporting so long as it qualifies as an "emerging growth company", which may increase the risk that weaknesses or deficiencies in the internal control over financial reporting go undetected. Likewise, so long as it qualifies as an "emerging growth company", the Company may elect not to provide certain information, including certain financial information and certain information regarding compensation of executive officers, which it would otherwise have been required to provide in filings with the SEC, which may make it more difficult for investors and securities analysts to evaluate the Company. As a result, investor confidence in the Company and the market price of its common stock may be adversely affected.

Notwithstanding the above, we are also currently a "smaller reporting company", meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and has a public float of less than \$700 million and less than \$100 million annual revenues or a public float of less than \$250 million, during the most recently completed fiscal year. In the event that we are still considered a "smaller reporting company", at such time as we cease being an "emerging growth company", the disclosure we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an "emerging growth company" or a "smaller reporting company". Specifically, similar to "emerging growth companies", "smaller reporting companies" are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; except from the requirement to include the detailed compensation discussion and analysis disclosures and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as an "emerging growth company" or "smaller reporting company" may make it harder for investors to analyze the Company's results of operations and financial prospects.

We have been, and may in the future be, adversely affected by the global COVID-19 pandemic, the duration and economic, governmental and social impact of which is difficult to predict, which may significantly harm our business, prospects, financial condition and operating results.

During 2020 and continuing into 2023, there has been a widespread worldwide impact from the COVID-19 pandemic, and we have been, and may in the future be, adversely affected as a result. The outbreak of the COVID-19 coronavirus, the global response to such coronavirus, including travel restrictions and quarantines that governments instituted during 2020 and 2021, adversely affected our operations, and future restrictions or governmental requirements may have an adverse effect on our operations in the future, and/or may have a significant negative impact on our results of operations, the production of pharmaceuticals and our ability to timely obtain pharmaceuticals for resale. Currently, we are experiencing reductions to, and interruptions in, the delivery of supply chain pharmaceuticals that are having a negative impact on our wholesalers and certain technology outsourcing in India and the Philippines and we are also having a hard time finding qualified staff, due to the pandemic. Notwithstanding the above disruptions, our results of operations have not, to date, been materially adversely affected by the pandemic. However, if we continue to experience production difficulties, quality control problems or further shortages in supply of pharmaceuticals or personnel in the future, this could harm our business and results of operations, any of which could have a material adverse effect on our operations and the value of our securities. In addition, employee sicknesses and remote working environments, and the potential negative effect thereof on productivity and internal controls, related to the coronavirus and the federal, state and local responses to such virus, could materially impact our consolidated results for the year 2022 and beyond. The COVID-19 outbreak could also restrict our access to capital such as credit facilities and lead to material nonrecurring charges, write-downs, impairments and expenses. The Company is actively and continually monitoring the pandemic's effect on our businesses and endeavoring to adapt quickly in real time to meet the rapidly changing demands of our Customers and Suppliers.

To mitigate the spread of COVID-19, we implemented sanitation and personal protection measures. The Company's corporate office reopened on January 3, 2022, in accordance to Center for Disease Control and Prevention (CDC) guidance, allowing only management and certain key operational employees to return to the office, while hourly employees remain working remotely until further notice. These measures might not fully mitigate COVID-19 risks to our workforce, and we could experience unusual levels of absenteeism that might impair operations and delay delivery of products. The COVID-19 pandemic affects product manufacturing, supply and transport availability and cost. The pandemic has in the past reduced demand for some products due to delays or cancellations of elective medical procedures, consumer self-isolation and business closures, among other reasons, which may become issues again in the future if the number of persons infected does not continue to decline. The COVID-19 pandemic also influences shortages of some products, with product allocation resulting in delivery delays for customers. Additionally, as a result of the coronavirus outbreak, various states have adopted price gouging laws. Our failure to comply with such laws and regulations could subject us to claims, penalties, fines or lawsuits.

We have been impacted and may be further impacted by COVID-19 as follows:

- As a result of COVID-19, various states have adopted price gouging laws. Our failure to comply with such laws and regulations could subject us to claims, penalties, fines or lawsuits;
- Inventory price fluctuations as a result of supply and demand issues caused by COVID-19 have caused values of inventory to decrease, which has had a direct impact on gross profit and has resulted in a direct write-off of certain inventory value;
- Payment Terms with customers may be altered or extended, which would have an impact on current ratios and cash flow; and
- There have previously been material impairments with respect to goodwill and may be future material impairments and/or effects on right-of-use assets as the evaluation of the long-term impact to delivery of service or physical space assessments changes.
- There have been shortages in the supply of generic pharmaceuticals which impact our revenues as our transaction fees revenue rely on the sale of generic pharmaceuticals through our marketplace platform.
- There have been labor market challenges in hiring staff.

COVID-19 may cause further disruptions to our business, including, but not limited to:

- causing one or more of our customers to file for bankruptcy protection or shut down, including as a result of broader economic disruption;
- reducing health system or health plan subscription agreement fees generated, as well as visit fees, by customers or providers, as a result of funding constraints related to loss of revenue or employment;
- negatively impacting collections of accounts receivable;
- negatively impacting our ability to facilitate the provision of our telehealth services due to unpredictable demand;
- negatively impacting our ability to forecast our business's financial outlook;
- creating regulatory uncertainty on our telehealth services, if certain restrictions on reimbursement or the practice of medicine across state lines are reintroduced at some point in the future; and
- harming our business, results of operations and financial condition.

The ongoing impacts of the pandemic may cause, or make more likely, a general economic slowdown or recession in one or more markets, disruptions and volatility in global capital markets and other broad and adverse effects on the economy, business conditions, commercial activity and the healthcare industry. The pandemic might impact our business operations, financial position and results of operation in unpredictable ways that depend on highly uncertain future developments, such as determining the effectiveness of current or future government actions to address the public health or economic impacts of the pandemic. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

U.S. and global economic conditions could materially adversely affect the Company's business, results of operations, financial condition and growth.

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could have a material adverse impact on demand for the Company's products and services. In addition, consumer confidence and spending could be adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets,

declines in income or asset values, changes to fuel and other energy costs, labor and healthcare costs and other economic factors.

In addition to an adverse impact on demand for the Company's products, uncertainty about, or a decline in, U.S. or global economic conditions could have a significant impact on the Company's suppliers, the pharmacy industry as a whole, the Company's network of independent pharmacies and other partners. Potential effects include financial instability, inability to obtain credit to finance operations and purchases of the Company's products, payment defaults and insolvency.

A downturn in the economic environment could also lead to increased credit and collectability risk on the Company's receivables; limitations on the Company's ability to raise new funding through the sale of debt or equity; reduced liquidity; and declines in the value of the Company's securities. These and other economic factors could materially adversely affect the Company's business, results of operations, financial condition and growth.

Failure to adequately manage our planned aggressive growth strategy may harm our business or increase our risk of failure.

For the foreseeable future, we intend to pursue an aggressive growth strategy for the expansion of our operations through increased product development and marketing. Our ability to rapidly expand our operations will depend upon many factors, including our ability to work in a regulated environment, market value-added products effectively to independent pharmacies, establish and maintain strategic relationships with suppliers, and obtain adequate capital resources on acceptable terms. Any restrictions on our ability to expand may have a materially adverse effect on our business, results of operations, and financial condition. Accordingly, we may be unable to achieve our targets for sales growth, and our operations may not be successful or achieve anticipated operating results.

Additionally, our growth may place a significant strain on our managerial, administrative, operational, and financial resources and our infrastructure. Our future success will depend, in part, upon the ability of our senior management to manage growth effectively. This will require us to, among other things:

- implement additional management information systems;
- further develop our operating, administrative, legal, financial, and accounting systems and controls;
- hire additional personnel;
- develop additional levels of management within our company;
- locate additional office space;

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- maintain close coordination among our engineering, operations, legal, finance, sales and marketing, and client service and support organizations; and
- manage our expanding international operations.

As a result, we may lack the resources to deploy our services on a timely and cost-effective basis. Failure to accomplish any of these requirements could impair our ability to deliver services in a timely fashion or attract and retain new customers.

If we do not successfully implement any acquisition strategies, our operating results and prospects could be harmed.

We face competition within our industry for acquisitions of businesses, technologies and assets, and, in the future, such competition may become more intense. As such, even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or at all because of such competition. Furthermore, if we enter into negotiations that are not ultimately consummated, those negotiations could result in diversion of management time and significant out-of-pocket costs. Even if we are able to complete such acquisitions, we may additionally expend significant amounts of cash or incur substantial debt to finance them, which indebtedness could result in restrictions on our business and use of available cash. In addition, we may finance or otherwise complete acquisitions by issuing equity or convertible debt securities, which could result in dilution of our existing stockholders. If we fail to evaluate and execute acquisitions successfully, we may not be able to realize their benefits. If we are unable to successfully address any of these risks, our business, financial condition or operating results could be harmed.

If we make any acquisitions, they may disrupt or have a negative impact on our business.

If we make acquisitions in the future, funding permitting, which may not be available on favorable terms, if at all, we could have difficulty integrating the acquired company's assets, personnel and operations with our own. We do not anticipate that any acquisitions or mergers we may enter into in the future would result in a change of control of the Company. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in acquiring, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following:

- the difficulty of integrating acquired products, services or operations;
- the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and customers as a result of any integration of new management personnel;
- the potential inability or failure to achieve additional sales and enhance our customer base through cross-marketing of the products to new and existing customers;
- the effect of any government regulations which relate to the business acquired;
- potential unknown liabilities associated with acquired businesses or product lines, or the need to spend significant amounts to retool, reposition or modify the marketing and sales of acquired products or operations, or the defense of any litigation, whether or not successful, resulting from actions of the acquired company prior to our acquisition; and
- potential expenses under the labor, environmental and other laws of various jurisdictions.

Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with an acquisition, many of which cannot be presently identified. These risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations.

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We may apply working capital and future funding to uses that ultimately do not improve our operating results or increase the value of our securities.

In general, we have complete discretion over the use of our working capital and any new investment capital we may obtain in the future. Because of the number and variety of factors that could determine our use of funds, our ultimate expenditure of funds (and their uses) may vary substantially from our current intended operating plan for such funds.

We intend to use existing working capital and future funding to support the development of our products and services, product purchases in our wholesale distribution division, the expansion of our marketing, or the support of operations to educate our customers. We will also use capital for market and network expansion, acquisitions, and general working capital purposes. However, we do not have more specific plans for the use and expenditure of our capital. Our management has broad discretion to use any or all of our available capital reserves. Our capital could be applied in ways that do not improve our operating results or otherwise increase the value of a stockholder's investment.

Our websites may encounter technical problems and service interruptions.

Our websites may, in the future, experience slower response times or interruptions as a result of increased traffic or other reasons. These delays and interruptions resulting from failure to maintain Internet service connections to our site could frustrate visitors and reduce our future web site traffic, which could have a material adverse effect on our business.

The sale of shares by our directors and officers may adversely affect the market price for our shares.

Sales of significant amounts of shares held by our officers and directors, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Stockholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of additional shares of our common stock.

Wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock or where shares are to be issued to our officers, directors and applicable consultants. Our Board of Directors has authority, without action or vote of the stockholders, but subject to NASDAQ rules and regulations (which generally require shareholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock), to issue all or part of the authorized but unissued shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market. These actions will result in dilution of the ownership interests of existing stockholders, which may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of the Company because the shares may be issued to parties or entities committed to supporting existing management.

Future sales of our common stock could cause our stock price to decline.

If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of our common stock could also depress the market price of our common stock. Up to \$100,000,000 in total aggregate value of securities have been registered by us on a "shelf" registration statement on Form S-3 (File No. 333-266432) that we filed with the Securities and Exchange Commission on July 29, 2022, and which was declared effective on August 8, 2022. There is an aggregate of over \$97 million in securities which are eligible for sale in the public markets from time to time, subject to the requirements of Form S-3, which limits us, until such time, if ever, as our public float exceeds \$75 million, from selling securities in a public primary offering under Form S-3 with a value exceeding more than one-third of the aggregate market value of the common stock held by non-affiliates of the Company every twelve months. Additionally, if our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. The market price for shares of our common stock may drop significantly when such securities are sold in the public markets. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

Levels or types of insurance may not be adequate to cover claims.

Although we maintain current and active insurance policies, we cannot guarantee that all levels and types of insurance will be adequate to cover claims brought against the Company.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will need to continue to depend on our relationships with third parties, including our technology providers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services, or utilization of, our products and services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our results of operations may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer use of our products or increased revenue.

Claims, litigation, government investigations, and other proceedings may adversely affect our business and results of operations.

As a company offering a wide range of products and services, we are regularly subject to actual and threatened claims, litigation, reviews, investigations, and other proceedings, including proceedings relating to goods and services offered by us and by third parties, and other matters. Any of these types of proceedings, including currently pending proceedings as discussed herein, may have an adverse effect on us because of legal costs, disruption of our operations, diversion of management resources, negative publicity, and other factors. The outcomes of these matters are inherently unpredictable and subject to significant uncertainties. Determining legal reserves and possible losses from such matters involves judgment and may not reflect the full range of uncertainties and unpredictable outcomes. Until the final resolution of such matters, we may be exposed to losses in excess of the amount recorded, and such amounts could be material. Should any of our estimates and assumptions change or prove to have been incorrect, it could have a material effect on our business, consolidated financial position, results of operations, or cash flows. In addition, it is possible that a resolution of one or more such proceedings, including as a result of a settlement, could require us to make substantial future payments, prevent us from offering certain products or services, require us to change our business practices in a manner materially adverse to our business, requiring development of non-infringing or otherwise altered products or technologies, damaging our reputation, or otherwise having a material effect on our operations.

We may be adversely affected by climate change or by legal, regulatory or market responses to such change.

The long-term effects of climate change are difficult to predict; however, such effects may be widespread. Impacts from climate change may include physical risks (such as

rising sea levels or frequency and severity of extreme weather conditions—which may affect our current operations due to among other things, the fact that we are based in Florida, which is only on average 6 feet higher than current sea level), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects of climate change could increase the cost of certain products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business. Climate change could also lead to increased costs as a result of physical damage to or destruction of our facilities, loss of inventory, and business interruption due to weather events that may be attributable to climate change. These events and impacts could materially adversely affect our business operations, financial position or results of operation.

We might be adversely impacted by changes in accounting standards.

Our consolidated financial statements are subject to the application of U.S. GAAP, which periodically is revised or reinterpreted. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board ("**FASB**") and the SEC. It is possible that future accounting standards may require changes to the accounting treatment in our consolidated financial statements and may require us to make significant changes to our financial systems. Such changes might have a materially adverse impact on our financial position or results of operations.

For all of the foregoing reasons and others set forth herein, an investment in our securities involves a high degree of risk.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real property. We moved out of our previous corporate facility located at 3480 Land O'Lakes Blvd, Land O Lakes, Florida 33556 on December 31, 2021 and entered into a lease for our current corporate office space at 2420 Brunello Trace, Lutz, Florida 33558 on November 8, 2021. The lease has a five-year term, beginning January 1, 2022, and ending December 31, 2026. Our office space occupies approximately 9,850 square feet. Pursuant to the lease, the Company will also be responsible for water/sewer costs (\$140 per month) and its proportionate share of the building's operating expenses, including property taxes. We paid a security deposit of \$38,500 in connection with our entry into the agreement.

Our rental cost under the agreement during the term of the lease, is as follows:

Lease Period	Monthly Rent	
January 1, 2023 to December 31, 2023	\$	19,023
January 1, 2024 to December 31, 2024	\$	19,594
January 1, 2025 to December 31, 2025	\$	20,181
January 1, 2026 to December 31, 2026	\$	20,787

Pursuant to the lease, we have an option to renew the lease for two additional five-year terms with a mutually agreed increase in rental cost.

The Company's obligations under the lease are guaranteed by Suren Ajarapu, the Company's Chief Executive Officer and Chairman, but such guarantee has not been formally documented to date.

The Company also has, pursuant to the terms of the lease, a right to match any offer for purchase on 4.12 acres of Sienna Village I, parcel 26-26-18-0000-04800-000 and 4 buildings totaling 23,048 square feet of office space in its entirety, for a 2-year period commencing with the execution of the lease. We also have a right of first refusal to lease available vacant buildings at the then current market rate only after the landlord has made such space available for leasing.

In connection with our entry into the lease, we purchased certain furniture and assets of the landlord located at the leased premises for (a) \$60,000, payable in 12 installments of \$5,000 each, with title to such assets transferring on the date of the last payment, December 1, 2022; and (b) \$37,500, which was payable upon our entry into the lease agreement, upon which payment, title to such purchased assets transferred. This payable has been paid in full as of December 31, 2022.

The lease contains customary indemnification and termination provisions. In addition, the lease contains customary events of default, including payment defaults, breaches of covenants and/or certain representations and warranties, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The lease also contains remedies for such events of default, including the landlord's right to cure a default (together with our requirement to pay a 15% administrative fee in connection therewith), interest and other amounts, the right to accelerate all amounts due during the remaining term of the lease, termination of the lease and other remedies customary for this type of transaction.

We entered into a lease for Integra Pharma Solutions, LLC at 6308 Benjamin Road, Tampa, Florida 33634 for approximately \$43,000 per year (\$3,583 per month) under a five-year lease agreement, effective October 17, 2018, occupying approximately 6,300 square feet.

We believe our current and future facilities are adequate for our current and near-term needs. Additional space may be required as we expand our activities. We do not currently foresee any significant difficulties in obtaining any required additional facilities.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we may become a party to lawsuits involving various matters. The impact and outcome of litigation, if any, is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our continued financial position, results of operations or cash flows, except as otherwise set forth below. However, assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to the Company or by judges, juries or other finders of fact, which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

For a description of our material pending legal proceedings, please see "[Note 10 – Contingencies](#)", to the Notes to Consolidated Financial Statements included herein under "[Item 8. Financial Statements and Supplemental Data](#)."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

Our common stock was approved for listing on The NASDAQ Capital Market under the symbol "MEDS", on February 13, 2020. Prior to that, it traded on the OTCQB Market under the symbol "TRXD". At present, there is a limited market for our common stock.

Common Stock and Preferred Stock Outstanding and Holders of Record

As of March 27, 2023, we had 10,110,878 shares of common stock outstanding, held by 45 stockholders of record, not including holders who hold their shares in street name, and no shares of Preferred Stock issued or outstanding.

Dividend Policy

We have never paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Recent Sales of Unregistered Securities

The disclosures below include information on recent sales of unregistered securities during the three months ended December 31, 2022, and from the period from January 1, 2022, to the filing date of this report, and do not include information which has previously been included in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K:

In January 2022, warrants to purchase 14,584 shares of common stock were exercised with an exercise price of \$0.06 per share; the Company issued 14,584 shares of common stock, and \$875 in proceeds were received in connection with such exercise.

We claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506 of Regulation D of the Securities Act, since the foregoing issuances did not involve a public offering, the recipients were (a) "accredited investors"; and/or (b) had access to similar documentation and information as would be required in a Registration Statement under the Securities Act. The securities are subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

On October 4, 2022 the Company entered into a Purchase Agreement with a certain institutional investor. The Purchase Agreement provided for the sale and issuance by the Company of an aggregate of: (i) 920,000 Shares of the Company's Common Stock, \$0.00001 par value, (ii) Pre-Funded Warrants to purchase up to 601,740 shares of Common Stock and (iii) Private Placement Warrants and, together with the Shares and the Pre-Funded Warrants (the "Securities"), to purchase up to 2,663,045 shares of Common Stock. The offering price per Share was \$1.15 and the offering price per Pre-Funded Warrant was \$1.14999. The Company received approximately \$1.750 million in proceeds and paid approximately \$0.205 million in commissions and legal fees related to the transaction. The Private Placement Warrants were sold in a concurrent Private Placement, exempt from registration pursuant to Section 4(a)(2) and/or Rule 506 of the Securities Act of 1933, as amended (the "Securities Act").

Issuer Purchases of Equity Securities

The following table sets forth share repurchase activity for the respective periods:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
October 1, 2022 – October 31, 2022	—	\$ —	—	\$ 1,000,000	—
November 1, 2022 – November 30, 2022	—	\$ —	—	\$ 1,000,000	—
December 1, 2022 – December 31, 2022	—	\$ —	—	\$ 1,000,000	100,000
Total	—	\$ —	—		

⁽¹⁾ On May 27, 2021, our Board of Directors authorized the repurchase up to \$1 million of the currently outstanding shares of the Company's common stock. Under the stock repurchase program, shares may be repurchased from time to time in the open market or through negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. Repurchases will be made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. Open market purchases will be conducted in accordance with the limitations set forth in Rule 10b-18 of Exchange Act and other applicable legal requirements. Repurchases may also be made under a Rule 10b5-1 plan. There was no time frame or expiration date for the repurchase program, and such program was to remain in place until a maximum of \$1.0 million of the Company's common stock had been repurchased or until such program was suspended or discontinued by the Board of Directors.

On July 18, 2021, our Board of Directors approved an "at-the-market" offering and paused the Stock Repurchase Program until the offering is complete.

On July 22, 2021, our Board of Directors delayed the "at-the-market" offering and reactivated the Stock Repurchase Program.

On August 5, 2021, our Board of Directors paused the Stock Repurchase Program until a planned "at-the-market" offering was complete, which "at-the-market" offering was terminated effective on December 5, 2021.

Currently no dollar amount of shares may be purchased pursuant to the terms of the Stock Repurchase Program, which as discussed in footnote (2) below, has been modified to allow for the repurchase of 100,000 shares of common stock instead of a dollar amount.

⁽²⁾ On December 10, 2021, the Board of Directors authorized and approved the resumption of the Company's prior share repurchase program (as modified). The share repurchase program as approved by the Board of Directors on December 10, 2021, modified the prior repurchase program to allow for the repurchase of up to 100,000 of the currently outstanding shares of the Company's common stock. There is no time frame for the repurchase program, and such program will remain in place until a maximum of 100,000 shares of

ITEM 6. [RESERVED]

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

The following discussion of the Company's historical performance and financial condition should be read together with the consolidated financial statements and related notes in "[Item 8. Financial Statements and Supplemental Data](#)" of this Report. This discussion contains forward-looking statements based on the views and beliefs of our management, as well as assumptions and estimates made by our management. See "[Cautionary Statement Regarding Forward-Looking Information](#)" above. These statements by their nature are subject to risks and uncertainties and are influenced by various factors. As a consequence, actual results may differ materially from those in the forward-looking statements. See "[Item 1A. Risk Factors](#)" of this report for the discussion of risk factors. For all periods presented, the consolidated statements of income and consolidated balance sheet data have been adjusted for the reclassification of discontinued operations information, unless otherwise noted. All references to years relate to the calendar year ended December 31 of the particular year.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (the "[MD&A](#)") is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- **Plan of Operations.** Summary of the Company's plan of operations for the next 12 months.
- **Sources of Revenue.** Summary of the main sources of Company revenue during the reported periods.
- **Results of Operations.** An analysis of our financial results comparing the twelve months ended December 31, 2022, and 2021.
- **Liquidity and Capital Resources.** An analysis of changes in our balance sheets and cash flows and discussion of our financial condition.
- **Critical Accounting Policies and Estimates.** Accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- **Recently Issued Accounting Standards.** A summary of recently issued accounting standards affecting the Company, if any.

Plan of Operations

We had negative working capital of \$53,668 as of December 31, 2022, compared to working capital of \$3,448,218 as of December 31, 2021. The decrease in working capital of \$3,501,886 is related to decreases in cash and increases in liabilities. Below are reasons for the decrease in working capital.

- Cash decreased approximately \$2.0 million for the periods ending December 31, 2022 and December 31, 2021. The reasons for the decrease are as follows:
 - \$275,000 cash investment into SOSRx joint venture in February of 2022;
 - \$225,000 settlement paid related to the legal matter of Jain et. al. in February of 2022;
 - \$875,000 cash paid for COVID-19 Test Kits in May of 2022,
 - \$315,464 paid for interest expense related to the sale of future accounts receivable in June of 2022 and again in September of 2022
- Increases in current liabilities of approximately \$1.2 million from the periods ending December 31, 2021 to 2022 were driven by the following main factors:
 - \$588,533 warrant liability related to Private Placement Warrants;
 - \$108,036 balance due at December 31, 2022 on the sale of future accounts receivable which was paid in full in January 2023;
 - \$166,667 note payable balance due to Exchange Health related to the SOSRx joint venture, and a
 - \$252,125 increase in accounts payable balance at December 31, 2022 compared to the comparable period.

With our current cash on hand, expected revenues, and based on our current average monthly expenses, we anticipate the need for additional funding in order to continue our operations at their current levels, and to pay the costs associated with being a public company, for the next 12 months. We may require additional funding in the future to expand or complete acquisitions. The sources of this capital are expected to be equity investments and notes payable. Our plan for the next twelve months is to continue development of the information technology used in the Company subsidiaries. As our business continues to grow, customer feedback will be integral in making small adjustments to improve the product and overall customer experience. We will require additional funding, we plan to raise that through the sale of debt or equity, which may not be available on favorable terms, if at all, and may, if sold, cause significant dilution to existing stockholders. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenues.

Coronavirus (COVID-19)

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported in Wuhan, China. The World Health Organization declared COVID-19 a "Public Health Emergency of International Concern" on January 30, 2020, and a global pandemic on March 11, 2020. In March and April 2020, many U.S. states and local jurisdictions began issuing 'stay-at-home' orders. For example, the state of Florida, where the Company's principal business operations are, issued a 'stay-at-home' order effective on April 1, 2020, which remained in place, subject to certain exceptions, through June 2020, when the order was gradually lifted until September 2020, when the order was completely lifted. The U.S. in general and Florida specifically, has recently seen decreases in total new COVID-19 infections (after sharp increases in infections in mid-to-late January 2022), as vaccines and boosters are now widely available and the number of individuals who have received vaccines has increased, and the pool of persons who do not have natural or vaccine immunity has declined; however, it is unknown whether such decreases will continue, new strains of the virus will cause current vaccines to be less effective or whether infection numbers will increase, and/or whether the state of Florida, or other jurisdictions in which we operate, will issue new or expanded 'stay-at-home' orders, or how those orders, or others, may affect our operations or whether such locations will see increases in infection rates, hospitalizations and deaths.

To date, we have been deemed an essential healthcare technology provider under applicable governmental orders based on the critical nature of the products we offer and the community we serve. As such, our business operations were not materially impacted by the prior restrictions put in place by the State of Florida to slow the spread of COVID-19, which have since expired. Additionally, as shown in our results of operations below, we have to date, not experienced any significant material negative impact to our operations, revenues or gross profit due to COVID-19. We have however been adversely affected by reductions to, and interruptions in, the delivery of supply chain pharmaceuticals that have had a negative impact on our wholesalers, certain technology outsourcing in India and the Philippines and finding qualified staff due to the pandemic, which may become more frequent or material in the future. We are carefully managing our inventory supply network while we work to overcome these hopefully temporary challenges. As a result of the above, the full extent of the impact of COVID-19 on our business and operations currently cannot be estimated and will depend on a number of factors including the continued scope and duration of the global pandemic.

Since the start of the pandemic, we have taken steps to prioritize the health and safety of our employees. The Company's employees started working remotely around March 17, 2020, and our corporate office was closed through December 31, 2021. The office reopened for our management team on January 3, 2022, while our remaining employees will continue to work remotely until further notice.

Sources of Revenue

We currently have three main revenue streams:

(1) Trxade, Inc., our wholly-owned subsidiary, provides an online web-based buying and selling platform for licensed pharmaceutical wholesalers ("Suppliers") to sell products and services to licensed pharmacies ("Customers"). The Company charges Suppliers a transaction fee, a percentage of the purchase price of the prescription drugs and other products sold through its website service. The Company holds no inventory and assumes no responsibility for the shipment or delivery of any products or services from our website. The Company considers itself an agent for this revenue stream and as such, reports revenue as net.

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(2) Integra Pharma Solutions, LLC, our wholly-owned subsidiary, is a licensed wholesaler of brand, generic and non-drug products to Customers. The Company takes orders for products, creates invoices for each order and recognizes revenue at the time the Customer receives the product. Customer returns, to date, have not been material.

(3) Community Specialty Pharmacy, LLC, our wholly-owned subsidiary, is a licensed retail pharmacy. The Company fills prescriptions for drugs written by a doctor and recognizes revenue at the time the patient confirms delivery of the prescription. Customer returns, to date, have not been material.

Results of Operations

For the Year Ended December 31, 2022, compared to the Year Ended December 31, 2021

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes to these statements included in "Item 8. Financial Statements and Supplemental Data" of this Report. For all years presented, the consolidated statements of income and consolidated balance sheet data set forth in this Form 10-K have been adjusted for the reclassification of discontinued operations information, unless otherwise noted.

	Fiscal Year Ended December 31,			
	2022	2021	Change	Percentage Change
Revenues	\$ 11,448,265	\$ 9,889,433	1,558,832	15.8%
Cost of sales	5,997,049	5,143,468	853,581	16.6%
Gross profit	5,451,216	4,745,965	705,251	14.9%
Operating expenses:				
Loss on inventory investment	875,250	1,226,426	(351,176)	(29%)
Impairment of intangible asset	792,500	-	792,500	100%
Technology, research & development	1,160,856	899,705	261,151	29.0%
Wages and salary	3,941,475	3,846,522	94,953	2.5%
Accounting and legal	830,355	697,825	132,530	19.0%
Professional fees	519,642	1,094,917	(575,275)	(52.5%)
Other general and administrative (less stock-based compensation expense)	1,422,149	1,904,427	(482,278)	(25.3%)
Warrants and options expense	333,284	368,436	(35,152)	(9.5%)
Total operating expenses	9,875,511	10,038,258	(162,747)	(1.6%)
Change in fair value of warrant liability	825,544	-	825,544	100%
Interest, net	(315,217)	(23,590)	(291,627)	1236.2%
Gain on disposal of asset	4,100	-	4,100	100%
Income from operations	\$ (3,909,868)	\$ (5,315,883)	\$ 1,406,015	26.45%
Net loss attributable to TRxADE Health, Inc.	(3,472,099)	(5,315,883)	1,843,784	(35%)
Net loss attributable to non-controlling interests	(437,769)	-	(437,769)	100.00%

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Operations

Our revenues during the years ended December 31, 2022, and 2021 were mainly from the Trxade Inc. platform, Community Specialty Pharmacy and Integra Pharma Solutions. Revenues increased by \$1,558,832 for the 2022 year, compared to the prior year's revenue of \$9,889,433. Trxade, Inc., revenue increased by \$511,799 or 10% to \$5,435,814, compared to \$4,924,015, for the years ended December 31, 2022, and 2021, which is attributable to a 21% increase in sales volume on the platform in 2022. Integra Pharma Solutions' revenue increased by \$1,503,506, or 46%, which is attributable to increased sales volume and pricing changes. The Trxade, Inc. platform is a secondary marketplace for pharmaceuticals and medical supplies with consistent growth year over year. We see a trend that whenever there is a supply shortage on the primary market, the platform being a secondary market, will see an increase in traffic or sales.

Cost of Sales was \$5,997,049 and gross profit was \$5,451,216, for the year ended December 31, 2022, compared to 5,143,468 and \$4,745,965, for the year ended December 31, 2021. The increase in cost of sales is attributed to the increased sales volume of Integra Pharma Solutions, Trxade, Inc does not have cost of sales as it is a software platform. However, our Integra Pharma Solutions is a wholesale business with variable cost of sales that will increase as sales volume increases.

Gross profit as a percentage of sales was 47.6% for the year ended December 31, 2022, compared to 48% for the year ended December 31, 2021. The reason for the decrease in gross profit as a percentage of sales was a result of increased sales volume of Integra Pharma Solutions and the cost of sales associated with this line of business compared to our Trxade, Inc platform revenue that does not have cost of sales.

Technology, research and development expenditures decreased to \$1,160,856 for 2022, compared to \$1,367,895 for 2021, as the Company continued to develop apps for customers and make improvements to our platform technology.

Professional fees decreased for Fiscal 2022 by \$575,275 to \$519,642 compared to \$1,094,917 for Fiscal 2021. The decrease in professional fees for the year ended December 31, 2022 related to lower board fee expenses, research and development consulting, and contractor expense.

General and administrative expenses (less stock-based compensation expense) decreased for the year ended December 31, 2022, to \$1,422,149 compared to \$1,904,427 for

the comparable period in 2021. The decrease is largely driven by approximately \$247,000 of bad debt expense related to other receivables from GSG. In June 2022, the Company received a \$100,000 payment from GSG and recorded a credit to Bad Debt Expense, additional monthly payments made by GSG were also recorded as a credit to the Bad Debt Expense less applicable interest and recovered legal fees. In the three-month period ended September 30, 2021 there was \$630,000 of bad debt expense recorded related to the same GSG receivable. These events decreased general and administrative expenses in 2022 and significantly increased these expenses in 2021.

Total stock-based compensation expense decreased by 9.5% or \$35,152 to \$333,284 from \$368,436 for the year ended December 31, 2022, compared to the prior year's period. The decrease was due to no stock options being issued in 2022.

We had \$875,520 of loss on inventory investment for the year ended December 31, 2022, in connection with COVID-19 test kits that were purchased and could not be resold due to issues with the FDA. We had a loss on inventory investment of \$1,225,141 in 2021 in connection with inventory deposits made to vendors that were not refunded to us when the suppliers could not fulfill our purchase orders, as described in greater detail under [NOTE - 8 OTHER RECEIVABLES](#). At June 30, 2021 the Company recorded a loss on inventory investments in the amount of \$1,081,250 for Integra Pharma Solutions and \$143,891 for Bonum Health related to the Bonum Health Hubs after we determined that the Hubs could be assembled and placed into service due to the COVID-19 pandemic.

We had \$792,000 of loss on impairment of intangible assets for the year ended December 31, 2022, in connection with the SOSRx, LLC joint venture agreement. In 2022, we performed a qualitative and quantitative assessment to determine the impairment of the intangible asset contributed in the JV agreement for SOSRx and found that due to the lack of revenue generated from these assets that they were determined to be impaired and that the company needed to write the asset down to zero.

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We had interest expense, net, of \$315,217 for the year ended December 31, 2022, compared to interest expense of \$23,590 for the year ended December 31, 2021, increased interest expense is driven by two funding agreements where the Company agreed to sell future receivables. As part of the agreement the Company paid weekly interest.

Change in warrant liability due to fair value remeasurement at December 31, 2022 is recorded as a positive adjustment in the amount of \$825,544.

Net loss decreased by \$1,406,015, to a net loss of \$3,909,868 for the year ended December 31, 2022, compared to net loss of \$5,315,883 for the year ended December 31, 2021, this variance is driven by several key factors, as listed below.

- Increase in revenue of approximately \$1.6 million,
- Increased gross profit of approximately \$0.7 million,
- Decreased year over year losses on inventory investments of approximately \$0.4 million,
- Decreased general and administrative expenses of approximately \$0.5 million,
- Decreased professional fees of approximately \$0.6 million; and
- A positive adjustment related to the remeasurement of the fair value of warrant liability – approximately \$0.8 million,

Liquidity and Capital Resources

Cash and Cash Equivalents

Cash and cash equivalents were \$1,133,633 at December 31, 2022. We expect that our future available capital resources will consist primarily of cash generated from operations, remaining cash balances, borrowings, and any additional funds raised through sales of debt and/or equity.

Liquidity

Cash, current assets, current liabilities, short term debt and working capital at the end of each period were as follows:

	December 31, 2022	December 31, 2021
Cash	\$ 1,133,633	\$ 3,122,578
Current assets (excluding cash)	959,490	1,251,666
Current liabilities (excluding short term debt)	1,980,124	926,026
Short term debt*	166,667	-
Working deficit	(53,668)	3,448,218

* Short term notes payable – related parties.

Our principal sources of liquidity during Fiscal 2022 and Fiscal 2021 have been cash provided by operations (internal source). During Fiscal 2022, equity capital and borrowings under various debt arrangements (external source) and a stock placement deal of 920,000 shares. Our principal uses of cash have been for operating expenses and research and development of our newer business units. We anticipate these uses will continue to be our principal uses of cash in the future in addition to any necessary business acquisitions. We currently do not have any material unused sources of liquid assets.

Cash and other current assets decreased by \$1,988,945 and \$292,176 respectively. The decrease in cash was primarily due to amounts spent on research and development expenses related to our newer business units. The decrease in our current assets was primarily due to the write-off of \$875,000 related to inventory deposits to suppliers that we did not get refunded when the inventory could not be sold.

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Current liabilities increased by \$1,220,765 from \$926,026 to \$2,146,791 for the year ended December 31, 2022. The increase is primarily due to an increase in notes payable that was related to the joint venture with SOSRx, two accounts receivable advances with Agile that will be repaid by the end of January 2023, and \$588,533 warrant liability related to Private Placement Warrants.

Liquidity Outlook cash explanation

Cash Requirements

Our primary objectives for 2023 are to continue the development of the Trxade Platform, Integra Pharma Solutions, and Bonum Health and work to increase our client base and operational revenue. We have limited financial resources and we will need to raise additional capital or secure debt funding to support ongoing operations. There can be no assurance that our operations will generate significant positive cash flow, or that additional funds will be available to us, through borrowings or otherwise, on favorable terms if required in the future, or at all.

We estimate our operating expenses and working capital requirements for the next 12 months to be approximately as follows:

Projected Expenses for 2023		Amount
General and administrative (1)	\$	6,000,000
Total	\$	6,000,000

(1) Includes wages and payroll, legal and accounting, marketing, rent and technology development.

We have historically funded our operations primarily through debt and equity capital raises and operational revenue. In 2022, common stock was sold for net proceeds of approximately \$1.3 million in connection with the exercise of warrants and the stock placement of 920,000 shares with a purchase price of \$1.15 per share.

We may require additional funding in the future to expand or complete acquisitions. The sources of this capital are expected to be equity investments and notes payable. Our plan for the next twelve months is to continue using the same marketing and management strategies and continue providing a quality product with excellent customer service while also seeking to expand our operations organically or through acquisitions, as funding and opportunities arise. As our business continues to grow, customer feedback will be integral in making small adjustments to improve our products and overall customer experience. In the event we require additional funding, we plan to raise that through the sale of debt or equity, which may not be available on favorable terms, if at all, and may, if sold, cause significant dilution to existing stockholders. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenues.

We believe that we have adequate cash to implement our plan to operate a business-to-business web-based marketplace focused on the United States pharmaceutical industry. Our core service is designed to bring the nation's independent pharmacies and accredited national suppliers of pharmaceuticals together to provide efficient and transparent buying and selling opportunities.

Cash Flows

The following table summarizes our Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021	Change	Percent Change
Net Loss	\$ (3,909,868)	\$ (5,315,883)	\$ 1,406,015	26%
Net Cash Provided by (used in):				
Operating Activities	(1,525,929)	(2,566,226)	1,040,297	41%
Investing Activities	(427,845)	(22,596)	(405,249)	(1793)%
Financing Activities	(35,171)	(208,178)	173,007	(83)%
Net increase (decrease) in cash	\$ (1,988,945)	\$ (2,797,000)	\$ 808,055	29%

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Cash used by operations for the fiscal year ended December 31, 2022, was \$1,525,929. This compared to \$2,566,226 of cash used by operating activities for the fiscal year ended December 31, 2021. The decrease was due to various things that include the recovery of bad debt related to the GSG settlement of approximately \$0.25 million and a \$1.4 million decrease in net losses for December 31, 2022 compared to 2021.

Cash used by investing activities for the fiscal year ended December 31, 2022, was \$427,845. This compared to \$22,596 of cash used in investing activities for the fiscal year ended 2021. In 2022, the cash was used for an investment in capitalized software for Delivmeds. In 2021, the cash was used to purchase a single delivery vehicle for Community Specialty Pharmacy, LLC.

Cash used by financing activities for the fiscal year ended December 31, 2022, was \$35,171, which \$716,964 was used to repay two accounts receivable advances and \$1,545,855 was received from the exercise of warrants and a stock placement. This compared to \$208,178 of cash used by operating activities for the fiscal year ended December 31, 2021. In 2021, the cash was used to repay a short-term related party promissory note of \$225,000 offset by exercise of stock warrants and options of \$16,822.

Known Contractual and Other Obligations & Commitments

In addition to our long-term debt obligations to our various lenders, we have certain other known contractual working capital obligations, including contractual purchase obligations related to various supply contracts, lease obligations, and other liabilities.

The following table summarizes our contractual obligations as of December 31, 2022:

Contractual Obligations	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	1,347,045	296,539	619,774	323,772	106,959
Total Contractual obligations	\$ 1,347,045	296,539	619,774	323,772	106,959

Off-Balance Sheet Arrangements

We had no outstanding off-balance sheet arrangements as of December 31, 2022.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses for each period. We consider an accounting estimate to be critical if the estimate requires us to make assumptions about matters that were uncertain at the time the accounting estimate was made and if different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial condition or results from operations. Below are the estimates that we believe are critical to the understanding of our operation results and financial condition. Other accounting policies are described in Financial [NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES](#). Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Allowance for Doubtful Accounts

We provide short-term credit and other customer financing arrangements to customers who purchase our products. We estimate the receivables for which we do not expect full collection based on historical collection rates and specific knowledge regarding the current creditworthiness of our customers and record an allowance in our consolidated financial statements for these amounts.

We consider historical experience, the current economic environment, customer credit ratings or bankruptcies, and reasonable and supportable forecasts to develop its allowance for doubtful accounts. Management reviews these factors quarterly to determine if any adjustments are needed to the allowance.

Reserve methodologies are assessed annually based on historical losses and economic, business and market trends. In addition, reserves are reviewed quarterly and updated if unusual circumstances or trends are present. We believe the reserves maintained and expenses recorded in 2022 are appropriate and consistent in the context of historical methodologies employed, as well as assessment of trends currently available.

Inventory Costs

In determining whether an inventory valuation allowance is required, we consider various factors including estimated quantities of slow-moving inventory by reviewing on-hand quantities, outstanding purchase obligations and forecasted sales. Shifts in market trends and conditions, changes in customer preferences due to the introduction of generic drugs or new pharmaceutical products or the loss of one or more significant customers are factors that could affect the value of our inventories. We write down inventories which are considered excess and obsolete as a result of these reviews. These factors could make our estimate of inventory valuation differ from actual results.

Business Combinations

We account for business combinations using the acquisition method of accounting whereby the identifiable assets and liabilities of the acquired business, as well as any noncontrolling interest in the acquired business, are recorded at their estimated fair value as the date that we obtain control of the acquired business. Any purchase consideration in excess of the fair values of the net assets acquired is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred.

Several valuation methods may be used to determine the fair value of the assets acquired and liabilities assumed. For intangible assets, we typically use a method that is a form of variation of the income approach, whereby a forecast of future cash flows attributable to the asset are discounted to present value using a risk-adjusted discount rate. Some of the more significant estimates and assumptions inherent in the income approach include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's expected useful life.

Goodwill

We perform an impairment test on goodwill balances annually in the third quarter and more frequently if indicators for potential impairment exist. Indicators that are considered include significant declines in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, or a significant decline in the Company's stock price and/or market capitalization for a sustained period of time.

Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or a component, one level below our operating segment, for which discrete financial information is available and segment management regularly reviews the operating results of the reporting unit.

To estimate the fair value of our reporting units, we generally use a combination of the market approach and the income approach. Under the market approach, we estimate fair value by comparing the business to similar business, or guideline companies whose securities are actively traded in public markets. Under the income approach, we use a discounted cash flow ("DCF") model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate that is commensurate with the risk inherent within the reporting unit. In addition, we compare the aggregate of the reporting units' fair values to our market capitalization as further corroboration of the fair values.

Estimates of fair value result from a complex series of judgements about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. Judgements made in determining an estimate of fair value may materially impact our results of operations. The valuations are based on information available as of the impairment testing date and are based on expectations and assumptions that have been deemed reasonable by management. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, deterioration in the U.S. and global financial markets, an increase in interest rates or an increase in the cost of equity financing by market participants within the industry or other unanticipated events and circumstances, may decrease the projected cash flows or increase the discount rate and could potentially result in an impairment charge. Under the market approach, significant estimates and assumptions also include the selection of appropriate guideline companies and the determination of appropriate valuation multiples to apply to the reporting unit. Under the income approach, significant estimates and assumptions also include the determination of discount rates. The discount rates represent the weight-average cost of capital measuring the reporting unit's cost of debt and equity financing, which are weighted by the percentage of debt and percentage of equity in a company's target capital structure. Included in the estimate of the weight-average cost of capital is the assumption of an unsystematic risk premium to address the incremental uncertainty related to the reporting units' future cash flow projections. An increase in the unsystematic risk premium increases the discount rate.

Valuation of Equity Method Investments

We evaluate our investments for other-than-temporary impairments when circumstances indicate those assets may be impaired. When the decline in value is deemed to be other than temporary, an impairment is recognized to the extent that the fair value is less than the carrying value of the investment. We consider various factors in determining whether a loss in value of investment is other than temporary including: the length of time and the extent to which the fair value has been below the cost, the financial condition of the investees, and our intent and ability to retain the investment for a period of time sufficient to allow for recovery of value. Management makes certain judgments and estimates in its assessment including but not limited to: identifying if circumstances indicate a decline in value is other than temporary, expectations about the business operations of investees, as well as industry, financial, and market factors. Any significant changes in assumptions or judgments in assessing impairments could result in an impairment charge.

Income Taxes

Our income tax expenses, and deferred tax assets and liabilities reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in the U.S. Significant judgments and estimates are required in determining the consolidated income tax provision and in evaluating income tax uncertainties. We review our tax positions at the end of each quarter and adjust the balances as new information becomes available.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative net operating losses in the most recent years, and our forecast of future taxable income. In estimating the future taxable income, we develop assumptions including the amount of future federal operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimate we use to manage the underlying businesses.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Should tax laws change, our tax expense and cash flows could be materially impacted.

Loss Contingencies

We may be subject to various claims, including claims with customers and vendors, pending and potential legal actions for damages, investigations relating to laws and regulations and other matters arising out of the normal conduct of our business. When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third party that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a material loss is reasonably possible or probable, but a reasonable estimate cannot be made, disclosure of the proceeding is provided. Legal fees are recognized as incurred when the legal services are provided.

We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the potential loss or range of the loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on future negotiations with our decision by third parties, such as regulatory agencies, the court system and other interest parties.

Stock-Based Compensation

We account for stock-based compensation to employees in accordance with ASC 718, "[Compensation-Stock Compensation](#)". ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. Stock option forfeitures are recognized at the date of employee termination. Effective January 1, 2019, the Company adopted ASU 2018-07 for the accounting of share-based payments granted to non-employees for goods and services.

Recently Issued Accounting Standards

For more information on recently issued accounting standards, see "[Note 2 - Summary of Significant Accounting Policies](#)", to the Notes to Consolidated Financial Statements included herein under "[Item 8. Financial Statements and Supplemental Data](#)".

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "[smaller reporting company](#)," as defined by Rule 229.10(f)(1).

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
TRxADE HEALTH, INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TRxADE HEALTH, INC. and its subsidiaries (collectively, the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of

expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ MaloneBailey, LLP

www.malonebailey.com

We have served as the Company's auditor since 2013.

Houston, Texas

March 27, 2023

TRxADE HEALTH, INC.
Consolidated Balance Sheets
December 31, 2022 and 2021

	December 31, 2022	December 31, 2021
Assets		
Current Assets		
Cash	\$ 1,133,633	\$ 3,122,578
Accounts receivable, net	728,964	978,973
Inventory	119,582	56,279
Prepaid assets	110,944	216,414
Total Current Assets	<u>2,093,123</u>	<u>4,374,244</u>
Property plant and equipment, net	65,214	98,751
Intangible assets and capitalized software, net	450,845	-
Deposits	49,029	60,136
Operating lease right-of-use assets	1,051,815	1,233,033
Total Assets	<u>\$ 3,710,026</u>	<u>\$ 5,766,164</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	729,153	477,028
Accrued liabilities	290,013	270,437
Other current liabilities	67,517	-
Contingent funding liabilities	108,036	-
Current portion lease liabilities	196,872	178,561
Warrant liability	588,533	-
Notes payable—related party	166,667	-
Total Current liabilities	<u>2,146,791</u>	<u>926,026</u>
Long Term Liabilities		
Other long-term liabilities — leases	887,035	1,069,965
Notes payable- related party	333,333	-
Total Liabilities	<u>3,367,159</u>	<u>1,995,991</u>
Stockholders' Equity		
Series A preferred stock, \$0.00001 par value; 10,000,000 shares authorized; none issued and outstanding as of December 31, 2022 and December 31, 2021	-	-
Common stock, \$0.00001 par value; 100,000,000 shares authorized; 9,393,708, and 8,166,457 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	99	82
Additional paid-in capital	20,482,573	20,017,528
Retained deficit	(19,719,536)	(16,247,437)
Total TRxADE Health, Inc stockholders' equity	763,136	3,770,173
Non-controlling interest in subsidiary	(420,269)	-
Total stockholders' equity	<u>342,867</u>	<u>3,770,173</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,710,026</u>	<u>\$ 5,766,164</u>

The accompanying notes are an integral part of the consolidated financial statements.

TRxADE HEALTH, INC.
Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021

	Years Ended December 31, 2022	Years Ended December 31, 2021
Revenues	\$ 11,448,265	\$ 9,889,433

Cost of Sales	5,997,049	5,143,468
Gross Profit	5,451,216	4,745,965
Operating Expenses:		
Impairment of intangible asset	792,500	-
Loss on inventory investment	875,250	1,226,426
Loss on write-down of inventory	-	376,348
Wage and salary expense	3,941,475	3,846,522
Professional fees	519,642	1,094,917
Accounting and legal expense	830,355	697,825
Technology expense	1,160,856	899,705
General and administrative	1,755,433	1,896,515
Total operating expenses	<u>9,875,511</u>	<u>10,038,258</u>
Operating Loss	(4,424,295)	(5,292,293)
Other income (expense)		
Change in fair value of warrant liability	825,544	-
Interest income	20,989	-
Gain on disposal of asset	4,100	-
Interest expense	(336,206)	(23,590)
Total nonoperating expense	<u>514,427</u>	<u>(23,590)</u>
Net Loss	<u>\$ (3,909,868)</u>	<u>\$ (5,315,883)</u>
Net loss attributable to TRxADE Health, Inc.	(3,472,099)	(5,315,883)
Net loss attributable to non-controlling interests	(437,769)	-
Net loss per common share — basic and diluted	\$ (0.41)	\$ (0.65)
Weighted average common shares outstanding - basic and diluted	8,472,946	8,136,740

The accompanying notes are an integral part of the consolidated financial statements.

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TRxADE HEALTH, INC.
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2022 and 2021

	Preferred stock		Common Stock		Additional	Accumulated	Non-	Total
	Shares	\$ Amount	Shares	\$ Amount	Paid-in Capital	Deficit	Controlling Interest in Subsidiary	Stockholders' Equity
Balance at December 31, 2020	-	\$ -	8,093,199	\$ 81	\$ 19,610,631	\$ (10,931,554)	\$ -	\$ 8,679,158
Common stock issued for services	-	-	37,905	-	181,163	-	-	181,163
Warrants exercised for cash	-	-	5,000	1	15,000	-	-	15,001
Warrants expense	-	-	-	-	21,640	-	-	21,640
Option exercised for cash	-	-	30,353	-	1,821	-	-	1,821
Options expense	-	-	-	-	187,273	-	-	187,273
Net loss	-	-	-	-	-	(5,315,883)	-	(5,315,883)
Balance at December 31, 2021	-	\$ -	8,166,457	\$ 82	\$ 20,017,528	\$ (16,247,437)	\$ -	\$ 3,770,173
Capital Contributions	-	-	-	-	-	-	792,500	792,500
Capital Distribution	-	-	-	-	-	-	(775,000)	(775,000)
Common stock issued for services	-	-	292,667	2	254,104	-	-	254,106
Common stock issued for placement, net issuance costs	-	-	920,000	15	130,903	-	-	130,918
Warrants exercised for cash	-	-	14,584	0	875	-	-	875
Options expense	-	-	-	-	79,163	-	-	79,163
Net loss	-	-	-	-	-	(3,472,099)	(437,769)	(3,909,868)
Balance at December 31, 2022	-	\$ -	9,393,708	\$ 99	\$ 20,482,573	\$ (19,719,536)	\$ (420,269)	\$ 342,867

The accompanying notes are an integral part of the consolidated financial statements.

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TRxADE HEALTH, INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (3,909,868)	\$ (5,315,883)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	14,637	7,351
Options expense	79,163	187,273
Common stock issued for services	254,106	181,163
Bad debt expense	(246,683)	615,657
Warrant Expense	-	21,640
Loss on write-off of intangible asset	792,500	-

Loss on write-down of inventory	875,250	376,348
Loss on inventory investments	-	143,891
Gain on sale of asset	(4,100)	-
Amortization of right of use assets	181,218	131,558
Changes in operating assets and liabilities:		
Accounts receivable, net	496,692	(789,587)
Prepaid assets and deposits	336,928	(103,666)
Inventory	(63,303)	825,127
Other receivables	(875,250)	1,087,675
Lease liability	(164,618)	(131,153)
Accounts payable	252,125	220,199
Accrued liabilities	(200,776)	(13,819)
Current liabilities	67,517	-
Warrant liability	588,533	-
Customer deposits	-	(10,000)
Net cash used in operating activities	(1,525,929)	(2,566,226)
Cash flows from investing activities:		
Purchase of fixed assets	-	(22,596)
Sale of fixed assets	23,000	-
Investment in capitalized software	(450,845)	-
Net cash used in investing activities	(427,845)	(22,596)
Cash flows from financing activities:		
Repayments of Promissory Notes - Related Parties	-	(225,000)
Repayment of contingent liability	(716,964)	-
Distributions to non-controlling interest	(275,000)	-
Proceeds from sale of future revenue	825,000	-
Proceeds from exercise of stock options	-	1,821
Proceeds from exercise of warrants	875	15,001
Proceeds from Issuance of Common Stock, net of issuance costs	130,918	-
Net cash provided by financing activities	(35,171)	(208,178)
Net decrease in cash	(1,988,945)	(2,797,000)
Cash at beginning of the year	3,122,578	5,919,578
Cash at end of the period	\$ 1,133,633	\$ 3,122,578
Supplemental disclosure of cash flow information		
Cash paid for interest, net	\$ 336,206	\$ 28,337
Cash paid for income taxes	\$ -	\$ -
Non-Cash Transactions		
Insurance premium financed	\$ 220,354	\$ -
Note issued as SOSRx contribution	\$ 500,000	\$ -
Intangible asset contribution from non-controlling interest	\$ 792,500	\$ -

The accompanying notes are an integral part of the consolidated financial statements.

TRxADE HEALTH, INC.
Notes to Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 1 – ORGANIZATION

TRxADE HEALTH, INC. ("we", "our", "Trxade", and the "Company") owns 100% of Trxade, INC., Integra Pharma Solutions, LLC, Community Specialty Pharmacy, LLC, Alliance Pharma Solutions, LLC, Bonum Health, LLC and MedCheks, LLC (from January 2021 to December 2021, when it was dissolved). The merger of Trxade, Inc. and TRxADE HEALTH, INC. occurred in May 2013. Community Specialty Pharmacy was acquired in October 2018.

Trxade, Inc. operates a web-based market platform that enables commerce among healthcare buyers and sellers of pharmaceuticals, accessories and services.

Integra Pharma Solutions, LLC is a licensed pharmaceutical wholesaler and sells brand, generic and non-drug products.

Community Specialty Pharmacy, LLC is an accredited independent retail pharmacy with a focus on specialty medications and a community-based model offering home delivery services to patients.

Alliance Pharma Solutions, LLC (d.b.a. DelivMeds) has developed a same day Pharma delivery software – Delivmeds.com and invested in SyncHealth MSO, LLC a managed services organization in January 2019, which investment was divested in February 2020.

Bonum Health, LLC, was formed to hold certain telehealth assets acquired in October 2019. The "Bonum Health Hub" was launched in November 2019 and was expected to be operational in April 2020; however, due to the COVID-19 pandemic, the Company does not anticipate installations moving forward, and has taken a write off of the hubs purchased at June 30, 2021, in Loss on Inventory Investments of \$143,891 for the year ended December 31, 2021. The Bonum Health mobile application is available on a subscription basis, primarily as a stand-alone telehealth software application that can be licensed on a business-to-business (B2B) model to clients as an employment health benefit for the clients' employees.

SOSRx, LLC was formed on February 15, 2022, the Company entered into a relationship with Exchange Health, LLC, a technology company providing an online platform for manufacturers and suppliers to sell and purchase pharmaceuticals ("Exchange Health"). SOSRx LLC, the created entity relating to the relationship, a Delaware limited liability company, was formed in February 2022, and is owned 51% by the Company and 49% by Exchange Health.

MedCheks, LLC, was formed in January 2021 and is a patient-centered, digital, precision healthcare platform that lets patients consolidate and control their health data via a digital

Health Passport. This product has been discontinued and MedCheks, LLC was subsequently dissolved in December 2021.

On October 9, 2019, the Company's Board of Directors, and on October 15, 2019, stockholders holding a majority of the Company's outstanding voting shares, approved resolutions authorizing a reverse stock split of the outstanding shares of the Company's common stock in the range from one-for-two (1-for-2) to one-for-ten (1-for-10) and provided authority to the Company's Board of Directors to select the ratio of the reverse stock split in their discretion (the "Stockholder Authority"). On February 12, 2020, the Board of Directors of the Company approved a stock split ratio of 1-for-6 ("Reverse Stock Split") in connection with the Stockholder Authority and the Company filed a Certificate of Amendment with the Secretary of Delaware to affect the Reverse Stock Split.

Proportional adjustments were made to the conversion and exercise prices of the Company's outstanding warrants and stock options, and to the number of shares issued and issuable under the Company's stock incentive plans in connection with the Reverse Stock Split. The Reverse Stock Split did not affect any stockholder's ownership percentage of the Company's common stock, except to the limited extent that the Reverse Stock Split resulted in any stockholder owning a fractional share. Fractional shares of common stock were rounded up to the nearest whole share based on each holder's aggregate ownership of the Company. All issued and outstanding shares of common stock, options and warrants to purchase common stock and per share amounts contained in the financial statements, have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") in all material respects and have been consistently applied in preparing the accompanying financial statements.

The summary of significant accounting policies presented below is designed to assist in understanding the Company's financial statements. Such financial statements and accompanying notes are the representations of the Company's management, who are responsible for their integrity and objectivity.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business within one year after the date the consolidated financial statements are issued. In accordance with Financial Accounting Standards Board, or the FASB, Accounting Standards Update No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), our management evaluates whether there are conditions or events, considered in aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued.

As of December 31, 2022 the Company had an accumulated deficit of \$19.7 million. We have limited financial resources. As of December 31, 2022 we had working capital deficit of approximately \$54,000 and a cash balance of \$1.1 million. We will need to raise additional capital or secure debt funding to support on-going operations. The sources of this capital are expected to be the sale of equity and debt, which may not be available on favorable terms, if at all, and may, if sold, cause significant dilution to existing stockholders. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenues, our financial position, and liquidity. These factors raise substantial doubt about the ability of the Company to continue as a going concern. Unless Management is able to obtain additional financing, it is unlikely that the Company will be able to meet its funding requirements during the next 12 months. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity – Historically, operations have been funded primarily through the sale of equity or debt securities and operating activities. In 2022, the Company raised approximately \$1.5 million in capital (See Note 4 – Stockholders' Equity).

Use of Estimates – In preparing these financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassification did not result in a change in the net loss.

Principle of Consolidation – The Company's consolidated financial statements include the accounts of TRxADE HEALTH, INC., Trade, Inc., Integra Pharma Solutions, Inc., Alliance Pharma Solutions, LLC, Community Specialty Pharmacy, LLC, Bonum Health, LLC and MedCheks, LLC. All significant intercompany accounts and transactions have been eliminated.

Cash – Cash in bank accounts are at risk to the extent that they exceed U.S. Federal Deposit Insurance Corporation insured amounts. All investments purchased with a maturity of three months or less are cash equivalents. Cash is available on demand and are generally within FDIC insurance limits for 2022.

Accounts Receivable – The Company's receivables are from customers and are collectible within 90 days. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. During the years ended December 31, 2022, and 2021, \$(246,683) and \$615,657 of bad debt expense, respectively and \$247,861 of recovery of bad debt, was recognized.

Inventory – Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in first out basis. These are merchandise inventories at Community Specialty Pharmacy, LLC and Integra Pharma Solutions, LLC. On a quarterly basis, we evaluate inventory for net realizable value using estimates based on historical experience, current or projected pricing trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies. If actual conditions are less favorable than our assumptions, additional inventory write-downs may be required, and no reserve is maintained as obsolete or expired inventories are written off. We believe that the inventory valuation provides a reasonable approximation of the current value of inventory. There is no reserve for inventory obsolescence and inventory is not pledged during the periods presented. During the years ended December 31, 2022 and 2021, included in cost of sales were write-downs to reduce inventory to net realizable value of \$0 and \$376,348, respectively.

Beneficial Conversion Features – The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative value of detachable instruments included in the financing transaction, if any, to the fair value of the common shares at the commitment date to be received upon conversion.

Fair Value of Financial Instruments – The Company measures its financial assets and liabilities in accordance with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures". ASC 820 clarifies the definition of fair value, prescribes methods for measuring

fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The Company has warrant liabilities on its balance sheet at December 31, 2022 that are required to be measured and recorded at fair value on a recurring basis. The Company uses the Black Scholes method to calculate the liability.

The carrying amounts of cash, accounts receivable, accounts payable, accrued liabilities and short-term debt approximate fair value because of the short-term nature of these instruments. The carrying amount of long-term debt approximates fair value because the debt is based on current rates at which the Company could borrow funds with similar maturities.

Goodwill – The Company accounts for goodwill and intangible assets in accordance with ASC 350 "Intangibles Goodwill and Other". ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset is more likely than not has decreased below its carrying value. The Company had no goodwill as of December 31, 2022 and 2021. The Company recorded an intangible asset associated with the joint venture formed with Exchange Health in February 2022 in the amount of \$792,000. It was determined that the intangible assets had a definite life of 15 years and is being amortized quarterly with the straight line method. The Company recognized an amortization expense of \$44,100 in fiscal year 2022. At December 31, 2022 the Company determined this asset was impaired and recorded a loss on asset impairment of \$792,000.

Revenue Recognition – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, "Revenue Recognition", and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted ASU 2014-09 using the modified retrospective approach effective January 1, 2018, under which prior periods were not retrospectively adjusted. The adoption of Topic 606 did not have a material impact on the Company's consolidated financial statements, including the presentation of revenues in the Company's Consolidated Statements of Operations.

Trxade, Inc. provides an online website service, a buying and selling marketplace for licensed Pharmaceutical Wholesalers to sell products and services to licensed Pharmacies. The Company charges Suppliers a transaction fee, a percentage of the purchase price of the Prescription Drugs and other products sold through its website service. The fulfillment of confirmed orders, including delivery and shipment of Prescription Drugs and other products, is the responsibility of the Supplier and not of the Company. The Company holds no inventory and assumes no responsibility for the shipment or delivery of any products or services from the Company's website. The Company considers itself an agent for this revenue stream and as such, reports revenue as net. Step One: Identify the contract with the customer – Trxade, Inc.'s Terms and Use Agreement is acknowledged between the Wholesaler and Trxade, Inc. which outlines the terms and conditions. The collection is probable based on the credit evaluation of the Wholesaler. Step Two: Identify the performance obligations in the contract – The Company provides to the Supplier access to the online website, uploading of catalogs of products and Dashboard access to review status of inventory posted and processed orders. The Agreement requires the supplier to provide a catalog of pharmaceuticals for posting on the platform, deliver the pharmaceuticals and upon shipment remit the stated platform fee. Step Three: Determine the transaction price – The Fee Agreement outlines the fee based on the type of product, generic, brand or non-drug. There are no discounts for volume of transactions or early payment of invoices. Step Four: Allocate the transaction price – The Fee Agreement outlines the fee. There is no difference between contract price and "stand-alone selling price". Step Five: Recognize revenue when or as the entity satisfies a performance obligation – Revenue is recognized the day the order has been processed by the Supplier.

Integra Pharma Solutions, LLC is a licensed wholesaler and sells to licensed pharmacies brand, generic and non-drug products. The Company takes orders for product and creates invoices for each order and recognizes revenue at the time the Customer receives the product. Customer returns are not material. Step One: Identify the contract with the customer – The Company requires that an application and a credit card for payment is completed by the Customer prior to the first order. Each transaction is evidenced by an order form sent by the customer and an invoice for the product is sent by the Company. The collection is probable based on the application and credit card information provided prior to the first order. Step Two: Identify the performance obligations in the contract – Each order is distinct and evidenced by the shipping order and invoice. Step Three: Determine the transaction price – The consideration is variable if product is returned. The variability is determined based on the return policy of the product manufacturer. There are no sales or volume discounts. The transaction price is determined at the time of the order evidenced by the invoice. Step Four: Allocate the transaction price – There is no difference between contract price and "stand-alone selling price". Step Five: Recognize revenue when or as the entity satisfies a performance obligation – The Revenue is recognized when the Customer receives the product.

Community Specialty Pharmacy, LLC is in the retail pharmacy business. The Company fills prescriptions for drugs written by a doctor and recognizes revenue at the time the patient confirms delivery of the prescription. Customer returns are not material. Step One: Identify the contract with the customer – The prescription is written by a doctor for a customer and delivered to the Company. The prescription identifies the performance obligations in the contract. The Company fills the prescription and delivers to the Customer the prescription, fulfilling the contract. The collection is probable because there is confirmation that the customer has insurance for the reimbursement to the Company prior to filling of the prescription. Step Two: Identify the performance obligations in the contract – Each prescription is distinct to the Customer. Step Three: Determine the transaction price – The consideration is not variable. The transaction price is determined to be the price of the prescription at the time of delivery which considers the expected reimbursements from third party payors (e.g., pharmacy benefit managers, insurance companies and government agencies). Step Four: Allocate the transaction price – The price of the prescription invoiced represents the expected amount of reimbursement from third party payors. There is no difference between contract price and "stand-alone selling price". Step Five: Recognize revenue when or as the entity satisfies a performance obligation – Revenue is recognized upon the delivery of the prescription.

SOSRX LLC.: SOSRX provides pharmaceutical manufacturers with an efficient platform in which to divest short-dated, overstock, and slow-moving products to direct purchasers. SOSRX's proprietary method researches the current market, allowing the manufacturer to list the optimal selling price for their products. Manufacturers list their short-dated overstock and slow-moving products by lot with pictures and descriptions. The manufacturer then determines which vetted and registered customers can bid on or outright purchase their products.

Once products from a manufacturer have been entered into SOSRX's platform, a bid cycle begins. Each bid cycle is 3 days. Each buyer (wholesaler, distributor or chain) will have 3

options. The options are buy now, bid, or pass. In the buy now option the manufacturer has an established price in which they would sell the product. The bid option allows the buyers to put in a price if they value the product and at the end of the bid cycle the manufacturer has several options. The manufacturer can accept the highest bidder if the buyer has met the minimum bid requirement, counter if the bid is below the minimum bid requirement or begin a negotiation to an agreed upon price or accepted bid, regardless of minimum bid requirement. The fourth option is to decline.

If one of the four options described above, except decline, have been selected a committed offer is generated in the system. The buyer then submits a purchase order to the manufacturer. The manufacturer then processes the purchase order and sends the product directly to the buyer. This is when revenue is recognized as a transaction fee. At no point does SOSRx take possession of the inventory. SOSRx bills the manufacturer per committed offer at a fee percentage of total offer value.

Cost of Sales – The Company recognized cost of goods sold from activities in Integra Pharma Solutions, LLC and Community Specialty Pharmacy, LLC.

Stock-Based Compensation – The Company accounts for stock-based compensation to employees in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. Stock option forfeitures are recognized at the date of employee termination. Effective January 1, 2019, the Company adopted ASU 2018-07 for the accounting of share-based payments granted to non-employees for goods and services.

Income Taxes – The Company accounts for income taxes utilizing ASC 740, "Income Taxes" (SFAS No. 109). ASC 740 requires the measurement of deferred tax assets for deductible temporary differences and operating loss carry forwards, and of deferred tax liabilities for taxable temporary differences. Measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax law. The effects of future changes in tax rates are not included in the measurement. The Company recognizes the amount of taxes payable or refundable for the current year and recognizes deferred tax liabilities and assets for the expected future tax consequences of events and transactions that have been recognized in the Company's financial statements or tax returns. The Company currently has substantial net operating loss carry forwards. The Company has recorded a 100% valuation allowance against net deferred tax assets due to uncertainty of their ultimate realization. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Tax years from 2018 forward are open to examination by the Internal Revenue Service.

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Warrant Liability – The Company will account for the 2,663,045 warrants issued in connection with the Private Placement in accordance with the guidance contained in FASB ASC 815 "Derivatives and Hedging" whereby under that provision the warrants do not meet the criteria for equity treatment and must be recorded as a liability. Accordingly, the Company will classify the warrant instruments as a liability at fair value and adjust the instrument to fair value at each reporting period. This liability will be re-measured at each balance sheet date until the warrants are exercised or expire, and any change in fair value will be recognized in the Company's statement of operations. The fair value of warrants will be estimated using a Black-Scholes model. The valuation model will utilize inputs such as closing share prices, volatility, risk free interest factors and other assumptions and may not be reflective of the price at which they can be settled.

Income (loss) Per Share – Basic net income (loss) per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The dilutive effect of the Company's options and warrants is computed using the treasury stock method. As of December 31, 2022, we had 2,689,969 outstanding warrants to purchase shares of common stock and 295,623 options to purchase shares of common stock.

The following table sets forth the computation of basic and diluted income (loss) per common share for the years ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021
Numerator:		
Net loss	\$ (3,909,868)	\$ (5,315,883)
Numerator for basic and diluted EPS - income available to common stockholders	(3,472,099)	\$ (5,315,883)
Denominator:		
Denominator for basic and diluted EPS – weighted average shares	8,472,946	8,136,740
Basic and diluted loss per common share	\$ (0.41)	\$ (0.65)

Concentration of Credit Risks and Major Customers - Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and receivables. The Company places its cash and cash equivalents with financial institutions. Deposits are insured to Federal Deposit Insurance Corp limits. The amount of cash not insured by the FDIC as of December 31, 2022 is \$518,419.

During the years ended December 31, 2022, no sales to customers represented greater than 10% of revenue.

Recent Accounting Pronouncements – The Company has implemented all new relevant accounting pronouncements that are in effect through the date of these financial statements. The pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its consolidated financial position or results of operations.

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Recently Issued Accounting Pronouncements Not Yet Adopted - In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, and a modified retrospective approach is required, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. In November of 2019, the FASB issued ASU 2019-10, which delayed the implementation of ASU 2016-13 to fiscal years beginning after December 15, 2022, for smaller reporting companies.

The Company does not expect the adoption of this new accounting guidance to have a material impact on its financial position, results of operations, or cash flows.

NOTE 3 – SHORT-TERM DEBT AND RELATED PARTIES DEBT

Related Party Promissory Notes

In October 2018, in connection with the acquisition of Community Specialty Pharmacy, LLC, a \$300,000 promissory note was issued to Nikul Panchal, a non-executive officer of the Company, accruing simple interest at the rate of 10% per annum, payable annually, and having a maturity date on October 15, 2021. In October 2019, \$75,000 of the note was converted into 25,000 common shares at \$3.00 per share, leaving \$225,000 of principal owed under the promissory note. There was a loss recognized on this conversion of \$76,500.

In September 2021, the promissory note was paid in full.

At December 31, 2022 and 2021, total related party debt was \$0.

NOTE 4 – STOCKHOLDERS' EQUITY

In January of 2022, warrants to purchase 14,584 shares of common stock were exercised and \$875 in proceeds were received in connection with the exercise.

In August 2021, warrants to purchase 5,000 shares of common stock were granted with an exercise price of \$3.00 per share, and were exercised at \$3.00 per share; the Company issued 5,000 shares of common stock, and \$15,000 in proceeds were received in connection with such exercise.

2022 Equity Compensation Awards

On September 1, 2022, the Board of Directors and Compensation Committee, awarded shares to six employees and officers in lieu of reduced cash salary. In lieu of the reduced cash salary payable to each employee and Officer, the Board and Compensation Committee agreed to issue such officers and employees shares of the Company's common stock equal to the amount of reduced cash salary set forth in the table above, divided by the closing sales price of the Company's common stock on the NASDAQ Capital Market on August 31, 2022, the date approved by the Board of Directors. There was a total of 108,617 common stock shares issued at a price of \$1.16, the closing price of MEDS on August 31, 2022. A total of the shares of common stock issuable to the employees and officers vest at the rate of 1/4th of such shares on each of September 30, 2022, October 31, 2022, November 30, 2022, and December 31, 2022, subject to each applicable Officer's and employees continued service to the Company on such dates and subject to the restricted stock award agreements entered into to evidence such awards.

2022 Independent Director Compensation

Effective on August 31, 2022, the Board of Directors approved the issuance of 54,525 shares of common stock of the Company to each independent member of the Board of Directors, for services rendered to the Company during fiscal 2022, which shares were valued at \$63,250, and based on the closing sales price of the Company's common stock on the date approved by the Board of Directors. The shares vest at the rate of 1/4th of such shares immediately on the grant date, and 1/4th of such shares on each of October 1, 2022, January 1, 2023 and April 1, 2023, subject to each applicable independent director's continued service to the Company on such dates.

All of the awards discussed above were issued under the Company's Second Amended and Restated 2019 Plan and all restricted stock awards discussed above were evidenced by Restricted Stock Grant Agreements.

There will be 1,407,276 shares available to grant from the Company's Second Amended and restated 2019 Equity Incentive Plan.

2021 Equity Compensation Awards

On April 15, 2021, the Board of Directors, with the recommendation of the Compensation Committee, approved the grant of options to purchase an aggregate of 17,500 shares of our common stock to certain employees of the Company, in consideration for services to be rendered by such individuals through 2025. The options vest at the rate of 1/4th of such options per year, on the first, second, third and fourth anniversaries of the grant date, subject to such option holders continuing to provide services to the Company on such dates, subject to the terms of the Company's Second Amended and Restated 2019 Equity Incentive Plan (the "Plan") and the option agreements entered into evidence such grants. The options were granted pursuant to, and are subject to, the Plan, and have a term of five years from the grant date. The options have an exercise price of \$4.76 per share, the closing price of the Company's common stock on the date of the grant of such options.

In September of 2022 and effective on September 1, 2022 the Board of Directors with recommendation of the Compensation Committee, agreed to issue certain employees of the Company shares of the Company's common stock in lieu of reductions to annual cash compensation. The employees agreed to reduce their salaries by an aggregate of \$37,000 in consideration for an aggregate of 31,896 shares of the Company's restricted common stock. The shares vested at a rate of 1/4th each on September 30, 2022, October 31, 2022, November 30, 2022 and December 31, 2022.

In connection with and pursuant to the independent director compensation policy previously adopted by the Board of Directors, on April 15, 2021, the then three independent members of the Board of Directors (Mr. Donald G. Fell, Dr. Pamela Tenaerts, and Mr. Michael L. Peterson), were each awarded 10,721 shares of restricted stock, valued at \$55,000 (\$5.13 per share) based on the closing sales price of the Company's common stock on the Nasdaq Capital Market on the effective date of the grant, April 1, 2021, which vest at the rate of 1/4th of such shares on July 1 and October 1, 2021 and January 1 and April 1, 2022, subject to such persons continuing to provide services to the Company on such dates, subject to the terms of the Plan and the Restricted Stock Grant Agreements entered into as evidence of such awards. The shares have a fair value of \$165,000 and the Company recognized stock-based compensation expense of \$68,750 for the twelve months ended December 31, 2021. Common Shares totaling 16,082 were cancelled on May 27, 2021, when the director services of Mr. Peterson and Ms. Tenaerts were terminated.

The Board of Directors of the Company, on May 27, 2021, confirmed the vesting of 2,680 shares of common stock previously issued to each of Michael L. Peterson and Dr. Pamela Tenaerts on July 1, 2021, which were subject to forfeiture subject to such persons continued service on the Board of Directors prior to the vesting date.

In connection with and pursuant to the independent director compensation policy previously adopted by the Board of Directors, on May 27, 2021, the Board of Directors awarded Charles L. Pope, and Christine L. Jennings, each independent members of the Board of Directors appointed to the Board of Directors on May 27, 2021, 10,912 shares of restricted stock each, valued at \$41,250 each (\$3.78 per share) based on the closing sales price of the Company's common stock on the Nasdaq Capital Market on the effective date of the grant, May 27, 2021, which vested at the rate of 1/3rd of such shares on October 1, 2021 and January 1, with the last tranche thereof vesting on April 1, 2022, subject to such persons continuing to provide services to the Company on such date. The Company recognized stock-based compensation expense of \$64,167 for the twelve months ended December 31, 2021.

Employment Agreement with Suren Ajjarapu, Chief Executive Officer

In connection with our employment agreement with Mr. Suren Ajjarapu, our Chief Executive Officer, no stock or other equity compensation was granted for the year ended December 31, 2021.

Effective September 1, 2022 the Board of Directors and Compensation Committee with the approval of the officers agreed to reduce the annual cash compensation of Mr. Suren Ajjarapu. The reduction was documented in a Second Amendment to Employment Agreement with Mr. Ajjarapu. Mr. Ajjarapu's annual compensation was reduced from \$ 360,000 to \$300,000. In lieu of the reduced cash salary payable the Board and Compensation Committee agreed to issue shares of the Company's common stock equal to the amount of reduced cash salary divided by the closing sales price of the Company's common stock on the Nasdaq Capital Market on August 31, 2022. The number of common shares issued was 51,724. The shares vested at a rate of 1/4th each on September 30, 2022, October 31, 2022, November 30, 2022 and December 31, 2022.

Effective September 1, 2022 the Board of Directors and Compensation Committee with the approval of the officers agreed to reduce the annual cash compensation of Mr. Prashant Patel. The reduction was documented in the First Amendment to Employment Agreement with Mr. Patel. Mr. Patel's annual compensation was reduced from \$ 150,000 to \$140,000. In lieu of the reduced cash salary payable the Board and Compensation Committee agreed to issue shares of the Company's common stock equal to the amount of reduced cash salary divided by the closing sales price of the Company's common stock on the Nasdaq Capital Market on August 31, 2022. The number of common shares issued was 8,620. The shares vested at a rate of 1/4th each on September 30, 2022, October 31, 2022, November 30, 2022 and December 31, 2022.

Offer Letter with Ms. Huffman, Chief Financial Officer

Effective September 1, 2022 the Board of Directors and Compensation Committee with the approval of the officers agreed to reduce the annual cash compensation of Ms. Huffman. The reduction was documented in an Amendment to Offer Letter with Ms. Huffman. Ms. Huffman's annual compensation was reduced from \$225,000 to \$200,000. In lieu of the reduced cash salary payable the Board and Compensation Committee agreed to issue shares of the Company's common stock equal to the amount of reduced cash salary divided by the closing sales price of the Company's common stock on the Nasdaq Capital Market on August 31, 2022. The number of common shares issued was 21,551. The shares vested at a rate of 1/4th each on September 30, 2022, October 31, 2022, November 30, 2022 and December 31, 2022.

On December 13, 2022 the Board of Directors with recommendation of the Compensation Committee approved the issuance of 50,000 shares of Restricted Common Stock of the Company to Ms. Huffman in consideration for services to be rendered. The shares were awarded pursuant to and are subject in all cases to the terms and conditions of, the Company's Second Amended and Restated 2019 Equity Incentive Plan. The shares vest at the rate of 1/4th of such Restricted Common Stock shares on each of December 31, 2022, March 31, 2023, June 30, 2023 and September 30, 2023, subject to Ms. Huffman remaining employed by the Company through such vesting dates. The shares were awarded pursuant to, and are subject in all cases to the terms and conditions of, the Company's Second Amended and Restated 2019 Equity Incentive Plan.

Stock Repurchase Program

On May 27, 2021, the Board of Directors of the Company authorized and approved a stock repurchase program for up to \$1 million of the currently outstanding shares of the Company's common stock. There is no time frame for the repurchase program, and such program will remain in place until a maximum of \$1.0 million of the Company's common stock has been repurchased or until such program is suspended or discontinued by the Board of Directors.

At the Market Offering

On August 5, 2021, our Board of Directors paused the Stock Repurchase Program until the "at-the-market" offering (discussed below) was complete.

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On August 6, 2021, the Company entered into an Equity Distribution Agreement, relating to an "at-the-market" offering for the sale of up to \$9 million in shares of the common stock under which EF Hutton, division of Benchmark Investments, LLC, the distribution agent, could sell the offering shares in public market transactions reported on the consolidated tape or privately negotiated transactions which could include block trades pursuant to and in connection with the Company's previously filed Form S-3 Shelf Registration Statement filed with the Securities and Exchange Commission on August 28, 2020 and declared effective by the Commission on September 3, 2020 (File Number: 333-248473) and the Prospectus Supplement was filed with the Commission under Rule 424(b)(5) dated August 6, 2021 (the "ATM Program").

Effective on November 30, 2021, the Company provided the distribution agent notice of the termination of the Equity Distribution Agreement and the ATM Program (each of which were terminated effective December 5, 2021, pursuant to the terms of the Equity Distribution Agreement), and as a result, \$128,000 of deferring offering costs were recognized.

No shares of common stock were sold pursuant to the "at-the-market" offering prior to the termination date.

Continuation of the Stock Repurchase Program

On December 10, 2021, the Board of Directors authorized and approved the resumption of the Company's prior share repurchase program. The share repurchase program as approved by the Board of Directors on December 10, 2021, modified the prior repurchase program to allow for the repurchase of up to 100,000 of the currently outstanding shares of the Company's common stock. There is no time frame for the repurchase program, and such program will remain in place until a maximum of 100,000 shares of the Company's common stock has been repurchased or until such program is discontinued by the Board of Directors.

As of December 31, 2022, no shares have been repurchased.

NOTE 5 – PREFUNDED AND PRIVATE PLACEMENT WARRANTS

Simultaneously with the closing of the stock placement, the investor pre-purchased 601,740 Private Warrants at a purchase price of \$1.14999 per warrant. The Pre-Funded Warrants are immediately exercisable, have an exercise price of \$0.00001 per share, and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. Each Private Warrant has an exercise price of \$1.50 per share, will be exercisable following Stockholder Approval, which was obtained in December 2022, and will expire on the fifth anniversary of the date on which the Private Warrants become exercisable. The Private Warrants contain standard adjustments to the exercise price including for stock splits, stock dividend, rights offerings and pro rata distributions, and include full ratchet anti-dilutive rights in the event the Company issues shares of Common Stock or Common Stock equivalents within fifteen months of the initial exercise date, with a value less than the then exercise price of such Private Warrants, subject to certain customary exceptions, and further subject to a minimum exercise price of \$0.232 per share. The Private Warrants also include certain rights upon 'fundamental transactions' as described in the Private Warrants, including allowing the holders thereof to require that the Company re-purchase such Private Warrants at the Black Scholes Value of such securities.

NOTE 6 - WARRANTS

In 2022, 2,663,045 private-placement warrants were granted as part of the stock offering, 14,584 were exercised and warrants to purchase 3,027 shares of common stock expired and were forfeited.

In 2021, warrants to purchase 5,000 shares of common stock were granted, 5,000 were exercised, and warrants to purchase 38,216 shares of common stock expired and were forfeited. See [Note 4 – Stockholders' Equity](#).

For the twelve-month period ended December 31, 2022 and 2021, warrants to purchase 14,584 and 5,000 shares of common stock were exercised, resulting in proceeds of \$875 and \$15,000 respectively.

The Company uses the Black-Scholes pricing model to estimate the fair value of stock-based awards on the date of the grant. There were 2,663,045 warrants granted in 2022. The warrant valuation income/(expense) for the fiscal year 2022 was \$825,544. There was no warrant expense for the fiscal year ended 2021.

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The following table summarizes the assumptions used to estimate the fair value of the warrants granted during the years ended December 31, 2022 and 2021.

	2022	2021
Expected dividend yield	0%	0%
Weighted-average expected volatility	86%	217%
Weighted-average risk-free interest rate	4.3%	2.75%
Expected life of warrants	5 years	5 years

The Company's outstanding and exercisable warrants as of December 31, 2022 and 2021 are presented below:

	Number Outstanding	Weighted Average Exercise Price	Contractual Life In Years	Intrinsic Value
Warrants outstanding as of December 31, 2020	82,751	\$ 1.33	2.73	\$ 352,951
Warrants granted	5,000	3.00	1.48	-
Warrants forfeited, expired, cancelled	(38,216)	2.51	-	-
Warrants exercised	(5,000)	3.00	-	-
Warrants outstanding as of December 31, 2021	44,535	0.32	0.95	208,078
Warrants granted	2,663,045	1.50	4.77	-
Warrants forfeited, expired, cancelled	(3,027)	3.90	-	-
Warrants exercised	(14,584)	0.06	-	-
Warrants outstanding as of December 31, 2022	2,689,969	1.50	4.72	6,731
Warrants exercisable as of December 31, 2022	2,689,969	1.50	4.72	6,731

NOTE 7 - OPTIONS

The Company maintains stock option plans under which certain employees are awarded option grants based on a combination of performance and tenure. The stock option plans provide for the grant of up to 2,333,333 shares, and the Company's Second Amended and Restated 2019 Equity Incentive Plan provides for automatic increases in the number of shares available under such plan (currently 2,000,000 shares) on April 1st of each calendar year, beginning in 2021 and ending in 2029 (each a "Date of Determination"), in each case subject to the approval and determination of the administrator of the plan (the Board of Directors or Compensation Committee) on or prior to the applicable Date of Determination, equal to the lesser of (A) ten percent (10%) of the total shares of common stock of the Company outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of shares as determined by the administrator, provided that not more than 25 million shares of common stock may be issued pursuant to the exercise of incentive stock options pursuant to the plan. The administrator did not approve an increase in the number of shares covered under the plan as of April 1, 2021.

For 2022, no options were exercised, 18,499 shares were forfeited, and 96,842 shares expired. For 2021, options to purchase 36,700 shares of common stock were granted, 30,353 were exercised, 21,200 were forfeited, and none expired. The options granted during the period vest over a four-year period, the average exercise price was \$4.86 per share and the options have a term of 5 years.

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For the twelve-month period ended December 31, 2021, options to purchase 30,353 shares of common stock were exercised, resulting in proceeds of \$1,821.

Under the Black-Scholes option price model, fair value of the options granted in 2021 and 2020 were \$168,008 and \$557,308, respectively.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards on the date of grant. There were no stock options granted during the year ended December 31, 2022. The following table summarizes the assumptions used to estimate the fair value of stock options granted during the year ended December 31, 2021:

	2021
Expected dividend yield	0%
Weighted-average expected volatility	102-207%
Weighted-average risk-free interest rate	0.25%
Expected life of options	5 years

Total compensation cost related to stock options was \$79,163 and \$187,273 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, there was \$29,729 of unrecognized compensation costs related to stock options, which is expected to be recognized over a weighted average period of 5 years. The following table represents stock option activity for the two years ended December 31, 2022:

	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Contractual Life in Years	Intrinsic Value
Options outstanding as of December 31, 2020	425,817	\$ 4.44	5.33	\$ 597,332
Options exercisable as of December 31, 2020	282,167	4.52	4.56	384,226
Options granted	36,700	5.74	4.19	-
Options forfeited	(21,200)	6.45	4.11	-
Options expired	-	-	-	-
Options exercised	(30,353)	0.06	-	-
Options outstanding as of December 31, 2021	410,964	\$ 4.78	4.67	\$ 368,417
Options exercisable as of December 31, 2021	302,191	4.88	4.38	257,186
Options granted	-	-	-	-
Options forfeited	(18,499)	5.82	4.91	-
Options expired	(96,842)	5.74	2.66	-
Options exercised	-	-	-	-
Options outstanding as of December 31, 2022	295,623	4.40	3.92	-
Options exercisable as of December 31, 2022	257,506	4.42	3.89	-

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NOTE 8 – INCOME TAXES

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate ("Federal Tax Rate") from 35% to 21% effective January 1, 2018.

The statutory tax rate is the percentage imposed by law; the effective tax rate is the percentage of income actually paid by a company after considering tax deductions, exemptions, credits and operating loss carry forwards.

At December 31, 2022 and 2021 deferred tax assets consist of the following:

	December 31, 2022	December 31, 2021
Federal loss carryforwards	\$ 4,030,755	\$ 2,347,266
Less: valuation allowance	(4,030,755)	(2,347,266)
	\$ -	\$ -

The Company has established a valuation allowance equal to the full amount of the deferred tax asset primarily due to uncertainty in the utilization of the net operating loss carry forwards.

The estimated net operating loss carry forwards of approximately \$17,105,445 will be available based on the new carryover rules in section 172(a) passed with the Tax Cuts and Jobs Acts.

NOTE 9 – OTHER RECEIVABLES

On November 19, 2021, Integra filed a complaint against GSG PPE, LLC ("GSG") and Gary Waxman ("Waxman"), the owner, alleging three counts of breach of contract for a purchase agreement, a promissory note, and a personal guaranty. Collectively, the company alleges that GSG and Waxman have materially breached all three contracts. In late 2020, GSG and Integra executed a valid initial contract setting the terms of a business transaction. GSG failed to pay Integra approximately 75% of the amount owed to Integra. GSG acknowledged it owed the money and executed a promissory note in favor of Integra in the amount of \$630,000 which matured on September 30, 2021. The note provides for attorney fees and interest in addition to the \$630,000. Waxman's personal guaranty confirmed that GSG owed Integra \$630,000. On September 30, 2021, the \$630,000 was recorded as Bad Debt Expense. A settlement was entered into between the parties in June 2022, whereby GSG and Waxman agreed to pay \$743,000 which included attorney fees and interest, which is required to be paid to the Company in monthly installments over 17 months. In Fiscal 2022, the Company received approximately \$248,000 recorded as credits to legal expenses and bad debt expense.

NOTE 10 – CONTINGENCIES

Studebaker Defense Group, LLC

In July 2020, the Company's wholly-owned subsidiary, Integra Pharma Solutions, LLC ("Integra"), entered into an agreement with Studebaker Defense Group, LLC ("Studebaker") wherein Integra would pay Studebaker a down payment of \$500,000 and Studebaker would deliver 180,000 boxes of nitrile gloves by August 14, 2020. Integra wired the \$500,000 to Studebaker, but to date, Studebaker has not delivered the gloves or provided a refund of the deposit. In December 2020, we filed a complaint against Studebaker in Florida state court, Case No. 20-CA-010118 in the Circuit Court for the Thirteenth Judicial Circuit in Hillsborough County, for among other things, breach of contract. Studebaker did not answer the complaint, nor did counsel for Studebaker file an appearance. Accordingly, in February 2021, the Company filed for a default judgment; however, on March 22, 2021, counsel for Studebaker filed an appearance and shortly thereafter filed a motion to vacate the default judgment and dismiss the complaint on jurisdictional grounds. The court granted Studebaker's motion to set aside the default judgment but denied the motion to dismiss. The Company has filed several pretrial motions; the next step in the litigation after the pre-trial motions are resolved will be a motion for summary judgment. The Company believes it will prevail on the merits but cannot determine the timing of the judgment or the amount ultimately collected. At June 30, 2021, the \$500,000 was recorded as Loss on Inventory Investment.

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Sandwave Group Dsn Bhd and Crecom Burj Group SDN BHD

In August 2020, Integra, entered into an agreement with Sandwave Group Dsn Bhd ("Sandwave"), wherein Integra would pay Sandwave a down payment of \$581,250 and Sandwave's supplier, Crecom Burj Group SDN BHD ("Crecom"), would deliver 150,000 boxes of nitrile gloves within 45 days. Integra wired the \$581,250 to Sandwave, which in turn wired the purchase price to Crecom, which Crecom accepted; however, to date, Crecom has not delivered the nitrile gloves. Integra demanded return of its \$581,250 and Crecom has acknowledged that Integra is entitled to a refund, but to date Crecom has failed to return Integra's money. In February 2021, Integra filed a complaint against Crecom in Malaysia: Case No. WA-22NCC-55-02/2021 in the High Court of Malaysia at Kuala Lumpur in the Federal Territory, Malaysia for the Malaysian equivalent of breach of contract. Crecom filed an appearance on March 1, 2021. In April 2021, an Application for Summary Judgment was filed with the court, and on May 25, 2021, the Court extracted the sealed application, and a copy thereof was served on Crecom's attorneys and Crecom, 14 days later, filed an Affidavit in Reply with the court alleging that there are issues to be tried and that this case must go to a full trial. On June 28, 2021, the court directed both parties to file their written submissions/arguments in relation to the application for summary judgment on or before July 12, 2021, and scheduled a hearing thereon for August 26, 2021. At the final hearing on October 18, 2021, the ruling for the summary judgment was denied. On September 1, 2022, Crecom informed the court that Crecom had been liquidated pursuant to Malaysian insolvency laws and the court proceedings were stayed. ON September 7, 2022, Integra received written confirmation from Crecom counsel and a copy of the relevant Winding Up Order. Accordingly, the complaint was dismissed. At June 30, 2021, the \$ 581,250 was recorded as Loss on Inventory Investment.

Jain, et al., v. Memantine, et al.

In January 2020, we became aware of a complaint filed by Jitendra Jain, Manish Arora, Scaryi Kumaramangalam, Harsh Datta and Balvant Arora (collectively, plaintiffs), against our wholly-owned subsidiary, Trxade, Inc. and our Chief Executive Officer, Suren Ajjarapu as well as certain unrelated persons, Annapurna Gundlapalli, Gajan Mahendiran and Nexgen Memantine (collectively, defendants), in the Circuit Court of Madison County, Alabama (Case:47-CV-2019-902216.00). The complaint alleged causes of actions against the defendants including fraud in the inducement, relating to certain investments alleged to have been made by plaintiffs in Nexgen Memantine, breach of fiduciary duty, conversion and voidable transactions. The complaint related to certain investments alleged made by the plaintiffs in Nexgen Memantine and certain alleged fraudulent transfers of assets and funds alleged to have been taken by the defendants which are unrelated to the Company.

On May 14, 2021, Plaintiffs filed a second amended complaint against the defendants. The second amended complaint alleges causes of action against the defendants including securities fraud, breach of fiduciary duty, violation of the Florida RICO Act, and breach of contract. The operative complaint relates to certain investments alleged to have been made by the plaintiffs in Nexgen Memantine and certain alleged transfers of assets and funds alleged to have been taken by the defendants which are unrelated to the Company. The amended complaint seeks injunctive relief, \$425,000 in compensatory damages, treble damages, punitive damages, and fees and costs.

In February 2022, a settlement as to Suren Ajjarapu, Annapurna Gundlapalli and the Company was reached and signed. This settlement involved no admission of liability and a full and complete release of all actions after a lump-sum payment of \$225,000 was made. Because the complaint purports to be a derivative action, court approval was required, which approval was received on March 14, 2022. As a result of the settlement, the Plaintiff's dismissed their lawsuit with prejudice.

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NOTE 11 – LEASES

The Company elected the practical expedient under ASU 2018-11 "Leases: Targeted Improvements" which allows the Company to apply the transition provision for Topic 842 at the Company's adoption date instead of at the earliest comparative period presented in the financial statements. Therefore, the Company recognized and measured leases existing at January 1, 2019, but without retrospective application. In addition, the Company elected the optional practical expedient permitted under the transition guidance which allows the Company to carry forward the historical accounting treatment for existing leases upon adoption. No impact was recorded to the beginning retained earnings for Topic 842. The Company has two operating leases for corporate offices. The following table outlines the details of such leases:

	Lease 1	Lease 2
	January 2021 to December 2021	November 2018 to November 2023
Initial Lease Term		November 2023 to November 2028
Renewal Lease Term	-	
New Initial Lease Term	January 2022 to December 2026	-
New Renewal Lease Term	January 2027 to December 2031	-
Initial Recognition of Right to use assets at January 1, 2019	\$ 534,140	\$ 313,301
New Initial Recognition of Right to use Assets at December 31, 2021	\$ 977,220	\$ -
Incremental Borrowing Rate	10%	10%

The Company entered into a new corporate office lease (Lease 1) on January 2022. The Company determined that entering into the new lease required remeasurement of the lease liability resulting in the increase of the right-of-use asset and the associated lease liability by \$977,220. The new lease is still classified as an operating lease.

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded in the Consolidated Balance Sheet as of December 31, 2022.

Amounts due within twelve months of December 31

2023	293,683
2024	302,494
2025	311,569
2026	320,916
Thereafter	105,531
Total minimum lease payments	1,334,193
Less: effect of discounting	(264,228)
Present value of future minimum lease payments	1,069,965
Less: current obligations under leases	195,475
Long-term lease obligations	\$ 874,490

The difference to the balance sheet above is due to the current and long-term remaining obligations of the copier lease not included in the amount of \$13,943 as of December 31, 2022.

For the years ended December 31, 2022, and 2021, amortization of right-of-use assets was \$181,218 and \$131,558, respectively.

For the years ended December 31, 2022, and 2021, operating lease liabilities paid was \$164,618 and 131,153, respectively.

NOTE 12 – SEGMENT REPORTING

The Company classifies its business interests into reportable segments which are Trxade, Inc., Community Specialty Pharmacy, LLC, Integra Pharma, LLC and Other (Unallocated). Operating segments are defined as the components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. The Company's chief operating decision makers direct the allocation of resources to operating segments based on the profitability, cash flows, and growth opportunities of each respective segment.

Year Ended December 31, 2022	Trxade, Inc.	CSP	Integra	Unallocated	Total
Revenue	\$ 5,435,814	\$ 1,175,474	\$ 4,754,067	\$ 82,910	\$ 11,448,265
Gross Profit	5,433,641	(90,678)	25,343	82,910	5,451,216
Segment Assets	1,877,881	(621,686)	445,264	2,008,567	3,710,026
Segment Profit/Loss	1,924,355	(469,778)	(545,557)	(4,818,888)	(3,909,868)
Cost of Sales	\$ 2,173	\$ 1,266,152	\$ 4,728,724	\$ -	\$ 5,997,049

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Year Ended December 31, 2021	Trxade, Inc.	CSP	Integra	Unallocated	Total
Revenue	\$ 4,924,015	\$ 1,652,841	\$ 3,250,561	\$ 62,016	\$ 9,889,433
Gross Profit	4,921,084	156,785	(393,582)	61,678	4,745,965
Segment Assets	2,273,330	(431,593)	565,619	3,358,808	5,766,164
Segment Profit/Loss	1,977,938	(128,563)	(2,749,028)	(4,416,230)	(5,315,883)
Cost of Sales	\$ 2,931	\$ 1,496,056	\$ 3,644,143	\$ 338	\$ 5,143,468

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to December 31, 2022 and prior to the filing of this Form 10-K the Company had the following events.

On January 3, 2023, Charles L. Pope resigned as a member of the Board of Directors. Until Mr. Pope's resignation he also served as the Chairman of the Company's Audit Committee and served on the Company's Compensation Committee and Nominating and Governance Committee.

On January 4, 2023, to fill the vacancy left by Mr. Pope's resignation, the Board of Directors of the Company, with the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors, appointed Mr. Michael L. Peterson as a member of the Board of Directors. Mr. Peterson was also appointed to serve as the Chairperson of the Board of Director's Audit Committee and as a member of the Compensation Committee and Nominating and Corporate Governance Committee. As part of Mr.

Peterson's compensation he will receive cash compensation in the amount of \$55,000 per year for services on the board of directors, \$20,000 per year for services as the Chairman of the Audit Committee (each paid 1/4th quarterly). The Company also issued Mr. Peterson 100,000 shares of restricted common stock, vesting quarterly over two years (beginning April 1, 2023), as well as options vesting over two years valued at \$55,000, for his services on the Board. All equity awards were issued under a stockholder approved equity incentive plan, and are subject to the terms of such plan.

On January 6, 2023, a restricted stock grant to Jeff Newell of 79,062, as compensation as part of Board compensation.

On January 6, 2023, the investor exercised their prefunded warrants in the amount of 601,740 shares per the stock issuance agreement from the October 2023 funding. The total amount paid to exercise the shares was \$6.02 at a price of \$.00001 per share.

On January 20, 2023, the Company entered into Membership Interest Purchase Agreements to sell 100% of the outstanding membership interests of the Company's subsidiaries, Alliance Pharma Solutions, LLC and Community Specialty Pharmacy, LLC. The Company will receive consideration in the amount of \$125,000 for Alliance Pharma Solutions, LLC and \$100,000 for Community Specialty Pharmacy, LLC. The Company also agreed to enter into a Master Service Agreement to operate the businesses prior to closing, additional amounts owed to the Company as a result of this Master Service Agreement are estimated to total approximately an aggregate of \$266,000 as of the closing date, currently expected to occur on April 30, 2023.

On January 30, 2023, the Company received a delist determination letter from The Nasdaq Stock Market LLC. (the "Staff"), advising the Company that the Staff had determined that the Company was not in compliance with the minimum continued listing requirements of stockholders' equity, and that the Company had not met the terms of the extension granted to them in October 2022 to regain compliance by the deadline of January 25, 2023. Specifically, the Company did not complete its proposed transactions and was unable to file a Current Report Form 8-K by the January 25, 2023 deadline previously required by the Staff, evidencing compliance with the Rule.

On February 6, 2023, the Company submitted a hearing request to the Nasdaq Hearings Panel (the "Panel"), which request will stay any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires. At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders' equity requirement. In the interim, the Company's common stock will continue to trade on Nasdaq under the symbol "MEDS" at least pending the ultimate conclusion of the hearing process.

Effective February 27, 2023, Ms. Janet Huffman, the Company's Chief Financial Officer notified the Company of the termination of her Offer Letter dated February 3, 2022. Effective March 1, 2023, Ms. Huffman also transitioned from Chief Financial Officer to a consulting relationship with the Company instead of a full-time employee relationship. It is expected that Ms. Huffman will provide a set number of hours of her time to the Company and that the Company will engage a new Chief Financial Officer (or similar position) to replace Ms. Huffman. Effective March 6, 2023, Prashant Patel, a member of the Board of Directors, the President and the Chief Operating Officer of the Company, was appointed as Interim Principal Financial/Accounting Officer of the Company.

On March 1, 2023, the Company issued 50,000 shares to White Lion Capital LLC as part of an agreement.

On March 2, 2023, the Company entered into an agreement with Agile Capital Funding LLC., for an accounts receivable funding agreement in the amount of \$787,500.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, Mr. Ajjarapu and Ms. Huffman, respectively, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Annual Report (December 31, 2022). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2022, our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in our reports filed with the SEC pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

As a result of the formative stage of our development, the Company has not fully implemented the necessary internal controls. The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) were: (1) The Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes. and (2) The Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.

Management believes that the material weaknesses set forth above did not have an effect on the Company's financial results reported herein. We are committed to improving our financial organization. As part of this commitment, we have increased our personnel resources and technical accounting expertise as we develop the internal and financial resources of the Company. In addition, the Company has prepared and implemented sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements.

Management has prepared and is in the process of implementing sufficient written policies and checklists to remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes.

We have improved our financial organization as we have increased our personnel resources and technical accounting expertise. We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f)

under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. The Company's internal control over financial reporting includes those policies and procedures that are designed to:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (2013). Based on our assessment, management concluded that the Company's internal controls over financial reporting were not effective as of December 31, 2022, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Specifically, management's determination was based on the following material weaknesses which existed as of December 31, 2022:

- *Financial Reporting Systems:* The Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes.
- *Segregation of Duties:* The Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.

Limitations on the Effectiveness of Controls

Management of the Company, including its Chief Executive Officer and its Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons or by the collusion of two or more persons. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As a result of COVID-19, our workforce operated primarily in a work from home environment for the year ended December 31, 2022. While pre-existing controls were not specifically designed to operate in our current work-from-home operating environment, we do not believe that such work-from-home actions have had a material adverse effect on our internal controls over financial reporting. We have continued to re-evaluate and refine our financial reporting process to provide reasonable assurance that we could report our financial results accurately and timely.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this Annual Report and will be filed in a definitive proxy statement or by an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report (subject to any extension provided by Exchange Act Rule 0-3).

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be set forth in the Company's 2023 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 (subject to any extension provided by Exchange Act Rule 0-3) in connection with the solicitation of proxies for the Company's 2023 annual meeting of stockholders including under the headings "Election of Directors", "Information about our Executive Officers", "Corporate Governance", "Code of Ethics", "Committees of the Board", and "Delinquent Section 16(a) Reports" (to the extent applicable and warranted), and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in the Company's 2023 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 (subject to any extension provided by Exchange Act Rule 0-3), including under the headings "Executive Compensation", "Directors Compensation", "Outstanding Equity Awards at Fiscal Year-End", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (to the extent required), and is incorporated herein by reference.

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

The information required by this Item will be set forth under the heading "Voting Rights and Principal Stockholders" and "Equity Compensation Plan Information" in the

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in the Company's 2023 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 (subject to any extension provided by Exchange Act Rule 0-3), including under the headings "Certain Relationships and Related Transactions" and "Committees of the Board" - "Director Independence", and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be set forth under the heading "Ratification of Appointment of Auditors" - "Audit Fees" in the Company's 2023 Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 (subject to any extension provided by Exchange Act Rule 0-3), and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

(a) Documents filed as part of this Annual Report:

The following is an index of the financial statements, schedules and exhibits included in this Form 10-K or incorporated herein by reference.

(1) All Financial Statements

Index to Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	65
Consolidated Balance Sheets	66
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Consolidated Statements of Changes in Stockholders' Equity	68
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(2) Consolidated Financial Statement Schedules

Except as provided above, all financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits

Exhibit No.	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
1.1	Equity Distribution Agreement, dated August 6, 2021 between the Company and EF Hutton, division of Benchmark Investments, LLC	8-K	001-39199	1.1	8/6/2021	
3.1	Second Amended and Restated Certificate of Incorporation of Trxade Group, Inc.	S-1	333-234221	3.1	10/15/2019	
3.3	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation (1-for-6 Reverse Stock Split of Common Stock) filed with the Delaware Secretary of State on February 12, 2020, and effective February 13, 2020	8-K	001-39199	3.1	2/13/2020	
3.4	Certificate of Amendment of Certificate of Incorporation (changing name TRxADE HEALTH, INC.)	8-K	001-39199	3.1	5/28/2021	
3.5	Limited Liability Company Agreement of SOSRx LLC effective February 15, 2022	8-K	001-39199	3.1	2/16/2022	
3.6	Amended and Restated Bylaws of Trxade Group, Inc.	10-12G/A	000-55218	3.1	7/24/2014	
4.1*	Description of Registered Securities					X
10.1	\$300,000 Promissory Note dated October 15, 2018 with Nikul Panchal	8-K	000-55218	2.02	10/16/2018	
10.2	Revocable Warrant dated October 15, 2018 with Nikul Panchal	8-K	000-55218	2.03	10/16/2018	
10.3***	Indemnification Agreement dated February 6, 2019 with Prashant Patel and Suren Ajarapu	10-K	000-55218	10.1	3/22/2019	
10.4	Form of Investment Warrant Agreement	8-K	000-55218	10.2	7/13/2018	
10.5	Form of Warrant Agreement	8-K	000-55218	10.2	9/26/2014	
10.6	Form of Registration Rights Agreement	8-K	000-55218	10.3	9/26/2014	
10.7***	Employment Agreement between Trxade, Inc. and Prashant Patel dated May 24, 2013	10-12G/A	000-55218	10.6	7/24/2014	
10.8***	2014 Equity Incentive Plan	10-12G	000-55218	10.3	6/11/2014	
10.9***	Form of Indemnification Agreement entered into between Trxade Group, Inc. and its directors and certain officers	10-12G	000-55218	10.4	6/11/2014	
10.10***	Second Amended and Restated Trxade Group, Inc. 2019 Equity Incentive Plan	8-K	001-39199	10.1	5/28/2021	
10.11***	Form of Stock Option Agreement (April 2020 Grants to Employees) April 14, 2020	8-K	001-39199	10.2	4/16/2020	
10.12***	Form of Restricted Stock Grant Agreement (Independent Directors 2020 Award, 2020 CFO Award and 2020 Legal Counsel) April 14, 2020	8-K	001-39199	10.3	4/16/2020	

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10.13***	April 14, 2020 Executive Employment Agreement with Suren Ajarapu	8-K	001-39199	10.4	4/16/2020
10.14***	First Amendment to Executive Employment Agreement with Suren Ajarapu dated May 5, 2020	8-K	001-39199	10.2	5/7/2020
10.15***	Restricted Stock Grant Agreement (Mr. Ajarapu 2020 Performance Bonus)(Updated) May 5, 2020	8-K	001-39199	10.3	5/7/2020
10.16***	Executive Employment Agreement dated effective June 19, 2020, entered into by and between Trxade Group, Inc. and Howard A. Doss	8-K	001-39199	10.1	6/26/2020
10.17***	Trxade Group, Inc. Independent Director Compensation Policy adopted April 14, 2020	10-Q	001-39199	10.1	7/27/2020

10.18***	Form of First Amendment to Trxade Group, Inc. 2019 Equity Incentive Plan Restricted Stock Grant Agreement (April 2020 Grants to Employees; Independent Directors 2020 Award, 2020 CFO Award and 2020 Legal Counsel Award)	8-K	001-39199	10.4	8/4/2020	
10.19***	Form of Stock Option Agreement Trxade Group, Inc. Amended and Restated 2019 Equity Incentive Plan	S-8	333-246318	10.6	8/14/2020	
10.20***	Form of Restricted Stock Grant Agreement Trxade Group, Inc. Amended and Restated 2019 Equity Incentive Plan	S-8	333-246318	10.7	8/14/2020	
10.21***	Form of Trxade Group, Inc. 2019 Equity Incentive Plan Restricted Stock Grant Agreement	S-8	333-246318	10.8	8/14/2020	
10.22	Non-Recourse Promissory Note in the amount of \$500,000, dated February 15, 2022, by TRxADE HEALTH, INC. in favor of Exchange Health, LLC	8-K	001-39199	10.4	2/16/2022	
10.23	Distribution Services Agreement dated February 15, 2022, by and between SOSRx LLC and Integra Pharma Solutions LLC	8-K	001-39199	10.4	2/16/2022	
10.24	Member Asset Contribution Agreement dated February 15, 2022, between Exchange Health, LLC and SOSRx LLC	8-K	001-39199	10.4	2/16/2022	
14.1	Code of Ethics	10-K	000-55218	14.1	3/23/2015	
21.1*	List of Subsidiaries					X
23.1*	Consent of Independent Registered Accounting Firm					X
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act*					X
31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act*					X
32.1**	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**					X
32.2**	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set.					
*	Filed herewith.					
**	Furnished herewith.					
***	Indicates management contract or compensatory plan or arrangement.					

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRxADE HEALTH, INC.

Date: March 27, 2023

/s/ Suren Ajjarapu
By: Suren Ajjarapu, Chief Executive Officer (Principal Executive Officer)

Date: March 27, 2023

/s/ Prashant Patel
By: Prashant Patel
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Suren Ajjarapu</u> Suren Ajjarapu	Chairman of the Board, Chief Executive Officer and Secretary (Principal Executive Officer)	March 27, 2023
<u>/s/ Prashant Patel</u> Prashant Patel	Director, President, Principal Accounting Officer and Chief Operating Officer	March 27, 2023
<u>/s/ Donald G. Fell</u> Donald G. Fell	Director	March 27, 2023
<u>/s/ Jeff Newell</u> Jeff Newell	Director	March 27, 2023
<u>/s/ Michael L. Peterson</u> Michael L. Peterson	Director	March 27, 2023

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

The following summary describes the common stock of TRxADE HEALTH, Inc., a Delaware corporation (“TRxADE” or the “Company”), which common stock is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Only the Company’s common stock is registered under Section 12 of the Exchange Act.

DESCRIPTION OF COMMON STOCK

The following description of our common stock is a summary and is qualified in its entirety by reference to our Certificate of Incorporation, as amended and our Bylaws, as amended, which are incorporated by reference herein, and by applicable law. For purposes of this description, references to “TRxADE,” “we,” “our” and “us” refer only to TRxADE and not to its subsidiaries.

Authorized Capitalization

The total number of authorized shares of our common stock is 100,000,000 shares, \$0.00001 par value per share. The total number of “blank check” authorized shares of our preferred stock is 100,000,000 shares, \$0.00001 par value per share. There are no shares of preferred stock currently outstanding.

Common Stock

Voting Rights. Each share of our common stock is entitled to one vote on all stockholder matters. Shares of our common stock do not possess any cumulative voting rights.

Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, Delaware law, our Certificate of Incorporation, as amended or Bylaws, as amended. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we have designated, or may designate and issue in the future.

Dividend Rights. Each share of our common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by our Board of Directors, subject to any preferential or other rights of any outstanding preferred stock.

Liquidation and Dissolution Rights. Upon liquidation, dissolution or winding up, our common stock will be entitled to receive pro rata on a share-for-share basis, the assets available for distribution to the stockholders after payment of liabilities and payment of preferential and other amounts, if any, payable on any outstanding preferred stock.

Fully Paid Status. All outstanding shares of the Company’s common stock are validly issued, fully paid and non-assessable.

Listing. Our common stock is listed and traded on the Nasdaq Capital Market under the symbol “MEDS”.

Other Matters. No holder of any shares of our common stock has a preemptive right to subscribe for any of our securities, nor are any shares of our common stock subject to redemption or convertible into other securities.

Anti-Takeover Effects Under Section 203 of Delaware General Corporation Law, our Certificate of Incorporation and Bylaws

Section 203 of Delaware General Corporation Law (DGCL) prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

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

In general, Section 203 defines “business combination” to include the following:

- any merger or consolidation involving the corporation or any direct or indirect majority owned subsidiary of the corporation and the interested stockholder or any other corporation, partnership, unincorporated association, or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation the transaction is not excepted as described above;
- any sale, transfer, pledge, or other disposition (in one transaction or a series) of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or a person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15 percent or more of the outstanding voting stock of the corporation.

A Delaware corporation may “opt out” of these provisions with an express provision in its Certificate of Incorporation. Our Certificate of Incorporation provides that we shall not be governed by Section 203 of DGCL and as a result, Section 203 of DGCL does not apply to us.

Our Amended and Restated Certificate of Incorporation does not provide that our board of directors will be classified. As a result, a person can gain control of our board only by successfully engaging in a proxy contest at one annual meeting.

Our authorized but unissued common stock and preferred stock are available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Exclusive forum for certain lawsuits

Our Amended and Restated Certificate of Incorporation requires, that unless the Company consents in writing to an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company; (b) any action asserting a claim of breach of fiduciary duty owed by, or other wrongdoing by, any director, officer, employee or agent of the Company to the Company or the Company's stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Certificate of Incorporation or Bylaws of the Company; (d) any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or Bylaws of the Company; or (e) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein (or such indispensable parties consenting to the personal jurisdiction of the Court of Chancery within 10 days following any determination by the Court of Chancery that an indispensable party is not subject to such personal jurisdiction); provided that, if and only if the Court of Chancery of the State of Delaware dismisses any action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware.

Notwithstanding any other provisions of law, the Certificate of Incorporation or the Bylaws of the Company, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock of the Company entitled to vote thereon shall be required to amend or repeal, or to adopt any provision inconsistent with the exclusive forum requirements in our Amended and Restated Certificate of Incorporation. If any provision or provision of the exclusive forum requirements in our Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

As a result of the above, our Amended and Restated Certificate of Incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law, subject to certain exceptions. However, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. We also note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act of 1933, as amended (“Securities Act”), creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

Special meeting of stockholders

Our Bylaws provide that special meetings of our stockholders may be called only by the chairperson of the board of directors, the chief executive officer or president (in the absence of a chief executive officer). Because our stockholders do not have the right to call a special meeting, a stockholder could not force stockholder consideration of a proposal over the opposition of our board of directors by calling a special meeting of stockholders prior to such time as the chairperson of the board of directors, the chief executive officer or president (in the absence of a chief executive officer) believed the matter should be considered or until the next annual meeting provided that the requestor met the notice requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace our board of directors also could be delayed until the next annual meeting.

Advance notice requirements for stockholder proposals and director nominations

Our Bylaws provide that stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at our annual meeting of stockholders, must provide timely notice of their intent in writing. Separately, pursuant to Rule 14a-8 of the Exchange Act, proposals seeking inclusion in our annual proxy statement must comply with the notice periods contained therein. Our Bylaws also specify certain requirements as to the form and content of a stockholders' meeting. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders and may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Action by written consent

Any action required or permitted to be taken by our common stockholders may be effected by written consent of the stockholders having not less than the minimum percentage of the vote required by DGCL for the proposed corporate action.

Vacancies on the Board of Directors

Our Bylaws provide that, subject to the rights of the holders of any outstanding series of preferred stock and unless otherwise required by law or resolution of our board of directors, vacancies on the board of directors arising through death, resignation, retirement, disqualification or removal, an increase in the number of directors or otherwise may be filled by a majority of the directors then in office, though less than a quorum.

Amendment to Bylaws by Stockholders

Subject to certain limitations preventing amendments which decrease or diminish indemnification rights provided for in our Bylaws, our Bylaws provide that any amendment to such Bylaws undertaken solely by our stockholders requires the affirmative vote of at least two-thirds in voting power of the outstanding shares of capital stock of the Company.

Subsidiaries*

LIST OF SUBSIDIARIES – ALL 100% OWNED (UNLESS OTHERWISE STATED)

- Trxade, Inc., a Florida corporation
- Integra Pharma Solutions, Inc. (formerly Pinnacle Tek, Inc., a Florida corporation)
- Community Specialty Pharmacy, LLC, a Florida corporation
- Alliance Pharma Solutions, LLC, a Florida corporation
- Bonum Health, Inc a Delaware corporation
- Bonum Health, LLC, a Delaware corporation
- MedChecks, LLC, a Delaware corporation
- SOSRx LLC, a Delaware limited liability company (51% owned)

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of TRxADE HEALTH, INC. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report. Inclusion in this list is not, however, a representation that the listed subsidiary is a “significant subsidiary.”

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-248473 and Form S-8 (File No. 333-246318) of our report dated March 27, 2023, with respect to the audited consolidated financial statements of TRxADE HEALTH, INC., which appear in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ *MaloneBailey, LLP*
www.malonebailey.com
Houston, Texas
March 27, 2023

Certification of Chief Executive Officer

I, Suren Ajjarapu, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022, of TRxADE HEALTH, INC. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 27, 2023

/s/ Suren Ajjarapu

Suren Ajjarapu
Chief Executive Officer (Principal Executive Officer)

Certification of Chief Financial Officer

I, Prashant Patel, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022, of TRxADE HEALTH, INC. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 27, 2023

/s/ Prashant Patel

Prashant Patel

Chief Financial Officer (Principal Financial/Accounting Officer)

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

I, Suren Ajjarapu, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of TRxADE HEALTH, INC. on Form 10-K for the fiscal year ended December 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of TRxADE HEALTH, INC. at the dates and for the periods indicated.

Dated: March 27, 2023

/s/ Suren Ajjarapu

Suren Ajjarapu

Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to TRxADE HEALTH, INC. and will be retained by TRxADE HEALTH, INC. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

I, Prashant Patel, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of TRxADE HEALTH, INC. on Form 10-K for the fiscal year ended December 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of TRxADE HEALTH, INC. at the dates and for the periods indicated.

Dated: March 27, 2023

/s/ Prashant Patel

Prashant Patel
Chief Financial Officer
(Principal Financial/Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to TRxADE HEALTH, INC. and will be retained by TRxADE HEALTH, INC. and furnished to the Securities and Exchange Commission or its staff upon request.
