

Financial Statements and Report of
Independent Certified Public
Accountants

PD-Rx Pharmaceuticals, Inc.

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
PD-Rx Pharmaceuticals, Inc.

Opinion

We have audited the financial statements of PD-Rx Pharmaceuticals, Inc. (an Oklahoma corporation) (the “Company”), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of operations, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Oklahoma City, Oklahoma
November 21, 2022

PD-Rx Pharmaceuticals, Inc.

BALANCE SHEETS

June 30,

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,472,365	\$ 2,904,905
Accounts receivable (net of allowance for doubtful accounts, chargebacks, and destruction of \$321,761 and \$303,718 in 2022 and 2021, respectively)	4,456,252	3,887,611
Inventories	1,836,563	2,651,956
Income tax receivable	74,830	314,250
Other	144,448	239,908
Total current assets	11,984,458	9,998,630
Property and equipment, net	1,238,103	831,350
Deferred tax asset	-	70,023
Total assets	<u>\$ 13,222,561</u>	<u>\$ 10,900,003</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,158,667	\$ 1,646,540
Accrued and other current liabilities	702,093	770,441
Total current liabilities	1,860,760	2,416,981
Deferred tax liability	9,995	-
Total liabilities	1,870,755	2,416,981
Commitments and contingencies (Note E)		
Stockholders' equity		
Preferred stock - \$.10 par value; authorized, 10,000,000 shares; issued and outstanding, none	-	-
Common stock - \$.01 par value; 3,000,000 authorized; 2,094,804 shares issued in 2022 and 2021, respectively	20,948	20,948
Additional paid-in capital	1,344,461	1,344,461
Retained earnings	10,392,698	7,358,714
Total stockholders' equity	11,758,107	8,724,123
Less common stock in treasury - at cost; 449,718 shares in 2022 and 379,718 in 2021	(406,301)	(241,101)
Total stockholders' equity	11,351,806	8,483,022
Total liabilities and stockholders' equity	<u>\$ 13,222,561</u>	<u>\$ 10,900,003</u>

The accompanying notes are an integral part of these financial statements.

PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF OPERATIONS

Years ended June 30,

	2022	2021
Net sales	\$ 28,715,224	\$ 21,602,200
Cost of sales	17,652,846	14,645,407
Gross profit	11,062,378	6,956,793
Selling, general and administrative expenses	7,058,000	6,080,322
Operating income	4,004,378	876,471
Other income		
Interest income and other	17,445	13,307
Gain on disposition of assets	30,930	11,214
Gain on extinguishment of debt	-	933,700
Other income, net	48,375	958,221
Income before income taxes	4,052,753	1,834,692
Income tax (expense) benefit	(1,018,769)	21,632
NET INCOME	\$ 3,033,984	\$ 1,856,324
Income per common share – basic and diluted	\$ 1.83	\$ 1.08

The accompanying notes are an integral part of these financial statements.

PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended June 30, 2022 and 2021

	Common Stock		Additional Paid-in Capital	Retained Earnings	Common Stock in Treasury	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2020	2,094,804	\$ 20,948	\$ 1,344,461	\$ 5,502,390	\$ (241,101)	\$ 6,626,698
Net income	-	-	-	1,856,324	-	1,856,324
Balance at June 30, 2021	2,094,804	20,948	1,344,461	7,358,714	(241,101)	8,483,022
Purchase 70,000 shares of treasury stock	-	-	-	-	(165,200)	(165,200)
Net income	-	-	-	3,033,984	-	3,033,984
Balance at June 30, 2022	<u>2,094,804</u>	<u>\$ 20,948</u>	<u>\$ 1,344,461</u>	<u>\$ 10,392,698</u>	<u>\$ (406,301)</u>	<u>\$ 11,351,806</u>

The accompanying notes are an integral part of these financial statements.

PD-Rx Pharmaceuticals, Inc.
STATEMENTS OF CASH FLOWS
Years ended June 30,

	2022	2021
Cash flows from operating activities		
Net income	\$ 3,033,984	\$ 1,856,324
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Provision for deferred income taxes	80,018	(3,955)
Depreciation and amortization	126,884	114,633
Bad debt, chargeback, and waste expense	265,590	253,928
Gain on disposal of property and equipment	(30,930)	(11,214)
Gain on extinguishment of debt	-	(933,700)
Changes in assets and liabilities		
Accounts receivable	(834,231)	(1,846,256)
Inventories	815,393	(802,920)
Income tax receivable	239,420	(155,922)
Other assets	95,460	(122,418)
Accounts payable	(487,873)	1,062,681
Accrued and other current liabilities	(68,348)	123,044
	3,235,367	(465,775)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(550,207)	(107,925)
Proceeds on sale of property and equipment	47,500	22,000
	(502,707)	(85,925)
Net cash used in investing activities		
Cash flows from financing activities		
Treasury Stock Repurchase	(165,200)	-
	(165,200)	-
Net cash used in financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,567,460	(551,700)
Cash and cash equivalents at beginning of year	2,904,905	3,456,605
Cash and cash equivalents at end of year	\$ 5,472,365	\$ 2,904,905
Supplemental cash flow information		
Cash paid during the year for income taxes, net	\$ 699,331	\$ 138,246

The accompanying notes are an integral part of these financial statements.

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF ACCOUNTING POLICIES

PD-Rx Pharmaceuticals, Inc. (“the Company”) is involved principally in the repackaging and distribution of prepackaged pharmaceutical products. The Company’s customers consist primarily of physicians, pharmacies and medical clinics located in the south-central, southeastern, and western United States.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Cash and Cash Equivalents

The Company considers highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents.

At June 30, 2022 and 2021, the Company held all of its cash and cash equivalents with two financial institutions. The Company maintains its cash in bank deposit accounts which, at times, may exceed the Federal Deposit Insurance Corporation insurance limit. Additionally, the Company invests in a money market portfolio that comprises United States government and treasury securities including bills, bonds, notes and repurchase agreements through its bank. As the investment is highly liquid and the fund historically trades at or near a net asset value of \$1, management considers the investment to be a cash equivalent. The Company has not experienced any losses in cash equivalents and believes it is not exposed to any significant credit risk in such accounts.

Accounts Receivable

Accounts receivable result primarily from product sales to customers, are typically due within 30 to 75 days, and are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, the Company’s previous loss history, the customer’s current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible. Late charges accrue on past due balances and are discontinued on accounts considered uncollectible.

The Company determines its allowance for destruction of inventory held at certain third-party destruction servicers by obtaining listings of inventory submitted for destruction to the third-party but not yet charged to the Company. The Company records a full destruction allowance for all inventory held by these third-party destruction servicers.

The Company determines its allowance for chargebacks for inventory sold to certain third parties by considering a number of factors, including the price for drugs, the weighted average cost of items sold, and historical chargebacks. The Company then calculates an estimated allowance in order to appropriately capture the allowance for chargebacks that may be realized in subsequent periods for sales made to certain third parties in the current period.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average cost method.

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation are:

Building and components	5 to 39 years
Equipment	3 to 8 years
Computer software costs	5 years
Furniture and fixtures	7 years
Automobiles	5 years

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the asset. There were no events or changes in circumstances indicating that the carrying value of such assets may not be recoverable as of June 30, 2022 and 2021.

Earnings Per Share

Basic earnings per share are computed by the weighted average number of common shares outstanding, which is the number of common shares issued less common stock in treasury. Diluted earnings per share is computed by the weighted average number of common shares outstanding less the effect of any dilutive securities. There were no dilutive securities for the years ended June 30, 2022 and 2021.

Revenue Recognition

We recognize revenue when obligations under the terms of a contract with our customer are satisfied. This occurs with the transfer of control of our products to customers when products are shipped. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services. Sales and other taxes we may collect concurrent with revenue-producing activities are excluded from revenue.

In accordance with ASC 606, the Company disaggregates revenues from contracts with customers by contract type.

A summary of revenues by customer type for 2022 and 2021 is as follows:

	Year Ended June 30,	
	2022	2021
Sales to wholesalers	73%	55%
Sales to non-wholesalers/retailers	27	45
Total	100%	100%

The majority of our total revenue in the periods presented herein is pursuant to shipments initiated by a purchase order. Under ASC 606, the purchase order is the contract with the customer. As a result, the vast majority of our revenue is recognized at a single point in time when the performance obligation of the product being shipped is satisfied, rather than recognized over time, and presented as a receivable on the accompanying balance sheets.

Our payment terms vary by the type and location of our customers and the products offered. The term between invoicing and when payment is due is 30 to 75 days in most cases. For certain products or services

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

and customer types, we require payment before the products or services are delivered to the customer. In such instances, revenue is deferred and recognized upon satisfaction of the performance obligation.

We evaluate the collectability of specific accounts and determine when to grant credit to our customers using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition, recent payment history, current economic environment, and discussions with our personnel and with the customers directly. We apply these same factors and more when evaluating certain aged receivables for collectability issues and to determine changes necessary to our allowance for doubtful accounts. If circumstances change, our estimates of the collectability of amounts could be changed by a material amount.

We have elected to recognize the cost for shipping as an expense in selling, general, and administrative expenses when control over the product has transferred to the customer. Shipping and handling fees charged to customers are reported as revenue.

A limited number of our contracts have variable consideration including tiered pricing and chargebacks which we monitor closely for potential constraints on revenue. For these contracts we estimate our position monthly using the most-likely-outcome method, including customer-provided schedules and historical buying patterns, and we accrue for any asset or liability these arrangements may create. The effect of accruals for variable consideration on our consolidated financial statements is immaterial.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation, as allowed under ASC 606.

Significant Customers

Significant customers are those that comprise 10% or more of revenues and accounts receivable, respectively, during a reporting period. Customers with significant revenues and accounts receivable, respectively, during the years ended June 30, 2022 and 2021 are as follows:

	Revenues*		Accounts Receivable*	
	2022	2021	2022	2021
Customer A	56%	44%	90%	89%
Customer B	11%	-	-	-

* Only customers greater than 10% have been specified; customers with no percentage amount noted do not necessarily indicate \$0 revenues or accounts receivable.

Shipping and Handling Costs

Shipping and handling costs are reported as a component of selling, general, and administrative expenses and totaled approximately \$92,000 and \$88,000 for 2022 and 2021, respectively.

Advertising Expense

The Company expenses advertising the first time advertising takes place. Advertising expense for the years ended June 30, 2022 and 2021 was approximately \$50,000 and \$25,000, respectively.

Income Taxes

The Company utilizes the asset and liability approach for accounting for deferred income taxes. Deferred income taxes are recognized for the tax consequences of temporary differences and carry-forwards by applying enacted tax rates applicable to future years to differences between the financial statement

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

amounts and the tax bases of existing assets and liabilities. A valuation allowance is established if it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and recognizes penalties in income tax expense.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Generally, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2018.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued and other liabilities, approximates fair value because of the highly liquid nature of these instruments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lease, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for annual periods beginning after December 15, 2021; however, in June 2020, the FASB decided to defer the effective date (now effective July 1, 2022 for the Company) by issuing ASU No. 2020-05, *Effective Dates for Certain Entities*. The Company is in the process of evaluating the impact of adopting this standard on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, that will change how companies measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The standard will replace today’s “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. The amendments in this update will be effective for annual periods beginning after December 15, 2020; however, the FASB decided to defer the effective date by two years (now effective July 1, 2023 for the Company). The Company is in the process of evaluating the impact of adopting this standard on its financial statements.

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Building and components	\$ 1,082,094	\$ 963,249
Equipment	1,633,064	1,323,471
Computer software costs	726,889	725,150
Furniture and fixtures	105,911	104,133
Automobiles	236,504	219,680
	3,784,462	3,335,683
Less accumulated depreciation and amortization	(2,702,119)	(2,660,093)
	1,082,343	675,590
Land	155,760	155,760
	\$ 1,238,103	\$ 831,350

Depreciation and amortization expense totaled \$126,884 and \$114,633 for the years ended June 30, 2022 and 2021, respectively.

NOTE C - NOTES PAYABLE

The Company has a \$500,000 revolving line of credit with a bank that matures January 2023. At June 30, 2022 and 2021, there were no amounts outstanding on the line of credit. The line of credit is payable in monthly installments of interest only at BOK Financial Corporation National prime (effective rate of 4% at June 30, 2022), and is collateralized by inventories, property and equipment, and accounts receivable. Borrowings under the line are limited to established ratios of accounts receivable and inventories as specified by the terms of the agreement. The revolving line of credit agreement requires the Company, among other things, to maintain a minimum current ratio of 1.4 to 1 and a maximum debt to worth ratio of 2.0 to 1. At June 30, 2022, the Company was in compliance with these covenants.

NOTE D - INCOME TAXES

The provision for income taxes consists of the following for the years ended June 30:

	2022	2021
Current	\$ (938,751)	\$ (17,677)
Deferred	(80,018)	(3,955)
	\$ (1,018,769)	\$ (21,632)

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

During 2020, the President of the United States of America signed into law the CARES Act. Among other provisions, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company generated an NOL of \$419,437 on its fiscal year 2019 tax return, which it carried back under the CARES Act to generate a federal income tax refund of \$142,578. In addition, the CARES Act established the PPP. Under the rules of the CARES Act and the PPP, the loan will qualify for forgiveness if the Company uses the proceeds of the loan for paying qualifying expenditures. The CARES Act states that the forgiveness of this loan is excluded from taxable income. The Consolidated Appropriation Act, 2021 was signed into law on December 27, 2020 and provided for the tax deductibility of PPP-related expenses. Revenue Ruling 2021-2 was released on January 6, 2021, in which the Internal Revenue Service ("IRS") confirmed the tax deductibility of these expenses and reversed the prior proposed guidance under IRS Notice 2020-32 and Revenue Ruling 2020-27. As a result of PPP loan forgiveness from the bank and these legislative changes during the year, the Company recorded a favorable return to provision adjustment of \$191,745 to exclude the loan forgiveness income from federal taxable income.

The income tax (benefit) expense reflected in the accompanying statements of operations differs from the expected federal income tax rates for the following reasons for the years ended June 30:

	2022	2021
Computed at 21%	\$ 851,000	\$ 385,300
Increase (decrease) in income taxes		
Nondeductible expenses	1,200	1,000
PPP expenses	-	(196,100)
Return to provision	-	(205,400)
Rate differential on NOL carryback	-	(54,500)
State income tax expense	168,200	23,700
Other	(1,631)	24,368
	\$ 1,018,769	\$ (21,632)

The temporary differences that give rise to deferred tax assets (liabilities) include the following at June 30:

	2022	2021
Deferred tax assets		
Allowance for doubtful accounts	\$ 21,089	\$ 14,148
Allowance for discounts	41,559	25,228
Vacation accrual	35,220	45,040
Total deferred tax assets	97,868	84,416
Deferred tax liabilities		
Book basis/tax basis differences on property and equipment	(107,863)	(14,393)
Total deferred tax liabilities	(107,863)	(14,393)
Net deferred tax (liability) asset	\$ (9,995)	\$ 70,023

The Company had no material unrecognized tax benefits related to uncertain tax positions.

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Company files income tax returns with the United States federal government and various state jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to June 30, 2018.

NOTE E - COMMITMENTS AND CONTINGENCIES

The Company is subject to various federal, state, and local government regulations. Matters subject to regulation include the distribution and recordkeeping of certain pharmaceutical products. Additionally, some states have passed or proposed laws and regulations that are intended to protect the integrity of the supply channel. For example, Florida and other states have implemented pedigree requirements that require drugs to be accompanied by paperwork tracing drugs back to the manufacturers. Also, from time to time, the Company is subject to review by regulating entities to ensure compliance with laws and regulations. Management has developed policies and procedures designed to ensure that the Company complies with laws and regulations. Management is not aware of any noncompliance with such laws and regulations.

From time to time, the Company is involved in legal actions arising in the normal course of business. Management of the Company, based in part on advice of legal counsel, is of the opinion that the ultimate outcome of such actions will not have a material adverse effect on the Company's financial position or results of operations.

The Company has employment agreements with its chief executive officer ("CEO") and chief operating officer ("COO"). Provisions of these employment agreements include, among other things, the following:

- Three-year terms with automatic one-year extensions after each full year of employment;
- Base salaries with minimum 5% annual increases;
- Annual bonuses based on a percentage of gross sales; and
- Contingent compensation upon the occurrence of a specified event, including:
 - Compensation through end of employment agreement upon change in control, as defined;
 - Compensation for three months following the month of death upon death of the officer; or
 - Compensation through end of employment agreement upon termination of the officer for reasons other than cause or resignation due to significant change in duties, as defined.

At June 30, 2022, the maximum contingent compensation as described above is approximately \$750,000 for each the CEO and COO. Such contingent compensation is payable in annual installments under certain circumstances. The Company does not recognize an expense or a liability relating to contingent compensation until an obligating event occurs. The Company has keyman life insurance of \$1,000,000 per officer to partially fund the obligations in the event of death. Management believes that voluntary resignation of the officers terminates all obligations under the agreements.

The PD-Rx Pharmaceuticals, Inc. 401(k) Plan ("the Plan") is a defined contribution plan for all eligible employees of the Company. Participants may contribute any amount to the Plan subject to applicable Internal Revenue Code of 1986, as amended limitations. The Company also has the option to make discretionary profit sharing contributions to participant accounts. The Company's contributions to the Plan vest to the participants based on years of service. These contributions are fully vested upon completion of three years of service, as defined by the Plan. The total Company contributions related to the Plan were approximately \$77,000 and \$0 for the years ended June 30, 2022 and 2021, respectively.

PD-Rx Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE F - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred subsequent to June 30, 2022 through November 21, 2022, the date these financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.