UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ 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 No. **001-36533**

MEDAVAIL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**90-0772394**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
4720 East Cotton Gin Loop, Suite 220, Phoenix, Arizona United States	**85040**
(Address of principal executive offices)	(Zip Code)

+1 (905) 812-0023
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**MDVL**	**The Nasdaq Stock Market LLC**

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 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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-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 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. ☐

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 outstanding common stock, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the closing sales price of $1.53 for the registrant's common shares on June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter as reported on the Nasdaq Capital Market, was approximately $63.6 million.

As of April 11, 2023, there were 80,485,223 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2022.

MedAvail Holdings, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2022

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business, operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology.

These forward-looking statements include, but are not limited to, statements about:

- our plans to modify our current products, or develop new products;
- the expected growth of our business and organization;
- our expectations regarding the size of our sales organization and expansion of our sales and marketing efforts;
- our ability to retain and recruit key personnel, including the continued development of a sales and marketing infrastructure;
- our ability to obtain and maintain intellectual property protection for our products;
- our ability to expand our business into new geographic markets;
- our compliance with extensive Nasdaq requirements and government laws, rules and regulations both in the United States and internationally;
- our estimates of expenses, ongoing losses, future revenue, capital requirements and our need for, or ability to obtain, additional financing;
- our ability to identify and develop new and planned products and/or acquire new products;
- the expectations regarding the impact of the COVID-19 pandemic on our business;
- existing regulations and regulatory developments in the United States, Canada and other jurisdictions;
- the impact of laws and regulations;
- our financial performance;
- the period over which we estimate our existing cash, cash equivalents and available-for-sale investments will be sufficient to fund our future operating expenses and capital expenditure requirements;
- our anticipated use of our existing resources;
- developments and projections relating to our competitors or our industry; and
- the impact of general market and macroeconomic conditions, including the effect of inflationary pressure, including any impact of adverse developments affecting the financial services industry, such as those based on liquidity constraints or concerns and events including the outbreak of war in Ukraine, on our business.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. These forward-looking statements are based on management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report on Form 10-K may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K. We assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the SEC as exhibits to the Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

PART I

Item 1. Business

Unless otherwise stated or the context otherwise indicates, references to the "Company," "MedAvail," "we," "our," "us," or similar terms refer to MedAvail Holdings, Inc. and its subsidiaries.

Overview

We are a pharmacy technology and services company that develops and commercializes an innovative self-service pharmacy, mobile application, and kiosk. Our core technology and product called the MedAvail MedCenter™, or the MedCenter., a pharmacist controlled, patient-interactive, prescription dispensing system akin to a "pharmacy in a box" or prescription-dispensing ATM. The MedCenter facilitates live pharmacist counselling via two-way audio-video communication with the ability to dispense prescription medicines under pharmacist control. Additionally, through 2022 we also operated the SpotRx Pharmacy, or SpotRx, a full-service retail pharmacy utilizing our automated pharmacy technology. Subsequent to December 31, 2022, on January 19, 2023, we announced our plans to exit the retail pharmacy services business, including SpotRx, in order to focus on our pharmacy technology business. On January 22, 2023, we entered into an asset purchase agreement with respect to the sale of our retail pharmacy assets. On April 6, 2023, we announced that we had completed the transactions contemplated by the asset purchase agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

Business Segments

Our operations consist of two business segments: Retail Pharmacy Services and Pharmacy Technology.

Retail Pharmacy Services Segment

Our Retail Pharmacy Services Segment comprises MedAvail Pharmacy Inc., an Arizona corporation, that is a wholly owned subsidiary of MedAvail, and does business under the trade name "SpotRx Pharmacy" or "SpotRx". SpotRx pharmacy operations consist of MedCenter generated sales to patients, including pharmaceuticals and merchandise. SpotRx is a full-service retail pharmacy platform operating in the United States, that is structured as a hub-and-spoke model; where a centralized pharmacy supports and operates a network of MedCenter. Payors include the patient and third-party payors (e.g., pharmacy benefit managers, insurance companies and governmental agencies). The SpotRx Pharmacy segment focuses on the Medicare (65+ year old) market and the medical clinics where Medicare recipients receive care. We typically pay rent to the healthcare site operator where the MedCenter is located. As of December 31, 2022, SpotRx had 111 MedCenters deployed, 110 of which were actively dispensing and generating revenue, and we were operating eight central pharmacies including two in Arizona, three in California, two in Florida, and one in Michigan.

Pharmacy Technology Segment

The Pharmacy Technology Segment comprises MedAvail Technologies, Inc., a Canadian corporation, MedAvail Technologies (US) Inc., a Delaware corporation, and both collectively referred to as "MedAvail Technologies". MedAvail Technologies sells the MedPlatform System, which includes the MedCenter prescription dispensing kiosk, software, integration services, and maintenance services. The customer provides and conducts all pharmacy staff and operations, including procuring and packaging all medications for stocking in the MedCenters. The MedPlatform agreement consideration includes either an initial lump sum payment upon MedCenter integration and installation, with monthly payments thereafter, for software and maintenance services; or a combined monthly payment that includes the MedCenter, integration services, software, and maintenance services.

The major steps of our deployment process include integration with the customer's pharmacy software, including educating and training customer pharmacy staff, and MedCenter site planning and installation. The deployment process typically runs one to two months.

Exit of Pharmacy Services Business, or SpotRx

On January 19, 2023, we announced our plan to exit the retail pharmacy services or the "Pharmacy Services Business" to focus on our Pharmacy Technology Segment. In connection with our exit from the Pharmacy Services Business, we hired a broker and negotiated the sale of certain related pharmacy assets. Our operations following the exit from the Pharmacy Services Business will consist solely of our Pharmacy Technology Segment.

In connection with our exit from the Pharmacy Services Business, we initiated a reduction in force or the "Reduction", of approximately 75% of our full-time employees, effective January 18, 2023. The employees that were subject to the Reduction were primarily employees of our Pharmacy Services Business. The purpose of the Reduction is to preserve capital with the goal of maximizing the opportunity available to us to pursue our Pharmacy Technology Segment.

On January 22, 2023, we entered into the Asset Purchase and Sale Agreement dated January 20, 2023 or the "Asset Purchase Agreement" with German Dobson CVS, L.L.C., Garfield Beach CVS, L.L.C., Longs Drug Stores California, L.L.C., Woodward Detroit CVS, L.L.C. and Holiday CVS, L.L.C. or collectively, "CVS", pursuant to which we agreed to sell certain of our assets, including pharmacy records, inventory and other assets, in the SpotRx pharmacies located in Tucson and Phoenix, Arizona; Buena Park, Laguna Hills and San Fernando, California; Southfield, Michigan; and in Orlando and Tampa, Florida, for an aggregate purchase price of $2.6 million which was paid upon the closing date of the transaction, the "CVS Transaction", on February 9, 2023. Upon closing, the pharmacy records and inventory purchased by CVS were transferred from the SpotRx pharmacies to nearby CVS pharmacy locations. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

The actions undertaken by us in connection with exit of the Pharmacy Services Business are expected to result in annualized operating expense savings of approximately $35 million to $37 million, compared to the full year 2022. We may incur additional expenses not currently contemplated due to events associated with the exit of the Pharmacy Services Business. The charges that we expect to incur in connection with the exit of the Pharmacy Services Business are estimates and subject to a number of assumptions, and actual results may differ materially.

Core Strengths

Published studies have shown that medical clinics and other health care sites with an embedded pharmacy have higher patient medication adherence, with resulting improved health outcomes (Wright & Gorman 2016). However, deploying a traditional retail pharmacy in a medical clinic is costly. Many medical clinics cannot support the cost of establishing and running a physical pharmacy.

Our proprietary hardware and software technology has the following unique strengths:

- The MedCenter and support software are a proprietary real time telehealth platform, delivering remote pharmacy team, dispensing medications, answering patient questions, and supporting administrative functions;
- The MedPlatform systems reduce customer pharmacy capital costs and operating cost through telehealth technology, automation, and shared centralized resources; and
- The MedPlatform software support systems share data with the healthcare practitioners to support patient adherence to improve patient health outcomes.

Growth Opportunities

The Pharmacy Technology segment primarily targets customers that stand to benefit from the use of our MedCenter technology to better serve their customer base. There is a wide range of customer types and business benefits that our technology addresses. Pharmacy Technology customer types include large healthcare systems, mass merchandise retailers, hospital systems, etc. Our customers report that our technology creates value for them, including lower operating costs, and a better consumer experience for their customers. We focus on an enterprise sales approach that demonstrates to potential customers the expected benefits of lower operating costs, better customer service, and improved medication adherence.

The consequences of the COVID-19 pandemic highlighted the MedPlatform benefits. As a result, health systems such as Texas Health Resources began to deploy our MedPlatform technology to increase their pharmacy footprint, with an initial focus on their emergency departments that expanded their urgent care clinics.

We have established full integrations with Kaiser Permenante, McKesson EnterpriseRx and Epic Willow pharmacy management systems. Both McKesson Enterprise and Epic Willow are operated by numerous retail and health system pharmacies representing approximately 1,900 potential partners and more than 7,000 sites for MedCenter deployments. Integration with pharmacy management systems enables seamless workflow incorporation of the MedCenter.

Sales and Marketing

Our Sales team is primarily focused on selling our technology to two channels: Urgent Care Clinics and Primary Care Offices, and the team consists of Account Relationship Managers. If the customer desires to purchase our MedCenter and lease the associated proprietary software, the customer will contract with us through our Pharmacy Technology segment.

Research and Development

Our research and development process begins with customer and health care provider collaboration to develop solutions for unmet customer and industry needs. We have a team of software architects and hardware engineers that design and prototype our MedCenter hardware and software technology.

Manufacturing and Inventory

The MedCenter equipment produced is available in the M4 model. The M4 MedCenter is a compact design utilized for pharmacy or clinic operations and available to MedPlatform customers.

During 2021 and 2022, the MedCenter hardware was produced through an agreement with a contract manufacturer that specializes in complex electronic kiosk manufacturing. As of the year ended December 31, 2022, we had a manufacturing and supply agreement with Kitron Technologies, or Kitron whereby under this agreement, Kitron manufactured our MedCenters. As part of our focus on our Pharmacy Technology Segment manufacturing of the MedCenters we terminated our agreement with Kitron, and look to develop our MedCenters internally, capitalizing upon our expertise in the manufacturing of our MedCenters. We currently forecast we have sufficient inventory of our MedCenters for our target level of sales to last us through the end of 2024.

Intellectual Property

We own or license rights to certain know-how, proprietary information and technology, copyrights, patents, and other intellectual property upon which our business depends. To protect our intellectual property rights, we rely on trade secret laws, patents, copyrights, trademarks and confidentiality agreements and contracts with employees, consultants and other parties.

As of December 31, 2022, we have the following patents and trademarks issued and pending:

- 12 US patents, 4 Canadian patents, 1 European patent, that expire beginning in July 2027 through June 2031;
- 6 US trademarks, 7 US trademarks pending;
- 7 Canadian trademarks, 1 Canadian trademark pending; and
- 4 European registered trademarks.

Competition

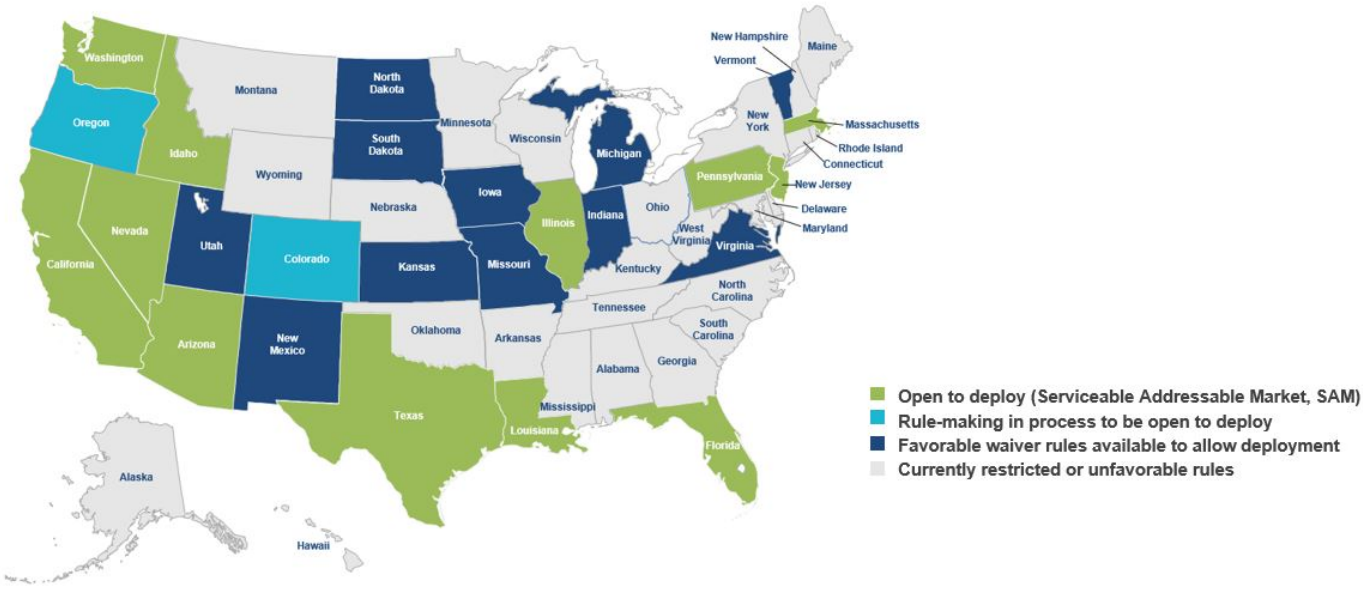
We operate in the increasingly complex and challenging medical technology marketplace. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, and the regulatory environment of medical products is becoming more complex and vigorous. We compete directly with several companies in the medication management automations solutions market, as well as the medication adherence solutions market, based on many factors, including price, quality, customer outcome and cost of operation, innovation, product features and capabilities, installation and service, reputation and brand recognition, size of installed base, range of solutions, distribution, and promotion. To remain competitive in the industries in which we operate, we continue to make investments in research and development, quality management, quality improvement, product innovation and productivity improvement in support of our Pharmacy Technology Segment.

Government Regulation

The boards of pharmacy view the MedCenter as an extension of the physical pharmacy, with the MedCenter being a remote dispensing device for a licensed physical pharmacy within the applicable state. The board of pharmacy for many states will perform a physical site visit to see the MedCenter prior to licensing, perform an inspection of the physical pharmacy, and review the policies and procedures associated with the MedCenter. This process is consistent whether the MedCenter is being operated by SpotRx or customer.

When analyzing the United States market, we view states as:

- Open to deploy;
- Rule making in-process to be open to deploy;
- Favorable waiver rules in place to allow deployment; and
- Restrictive or unfavorable rules.



Federally, we are regulated by the United States Drug Enforcement Administration, or the DEA, with respect to controlled substances. At this time, we cannot dispense any controlled substances through the MedCenter.

On January 30, 2023, the Biden Administration announced that it intends to end the COVID-19 national emergency and public health emergency by May 11, 2023. The termination of the public health emergency is expected to have significant impact on the health care industry, especially businesses that rely on COVID-19 related waivers and flexibilities promulgated by the government during the public health emergency. For example, after the termination of the public health emergency, prescriptions for a controlled substance via telemedicine may require a prior in-person medical evaluation. The DEA has also issued a proposed rule that, if finalized, would allow practitioners to prescribe a 30-day supply of Schedule III-V non-narcotic controlled medications and a 30-day supply of buprenorphine for the treatment of opioid use disorder without an in-person evaluation or referral from a medical practitioner who has conducted an in-person evaluation, provided that the prescription is otherwise consistent with any applicable federal and state laws.

State Licensing Requirements

Certain states have enacted laws regulating companies that offer and market discount medical plans, including prescription drug plans, subscription membership programs or discount cards. These state laws are intended to protect consumers from fraudulent, unfair or deceptive marketing, sales and enrollment practices by such plans. It is possible that other states may enact new requirements or interpret existing requirements to include our programs. Failure to obtain the required licenses, certifications or registrations to offer and market these subscription discount programs may result in civil penalties, receipt of cease and desist orders, or a restructuring of our operations.

Professional Licensure

Pharmacists, nurses and certain other healthcare professionals employed by us are required to be individually licensed or certified under applicable state law. We perform criminal, government exclusion and other background checks on employees. Additionally, we take steps to ensure that our employees possess all necessary licenses and certifications, and our employees comply with applicable licensure laws.

State Corporate Practice of Medicine and Fee Splitting Laws

The corporate practice of medicine doctrine and fee splitting laws, which are enforced by many states, are intended to prevent unlicensed persons from interfering with or influencing the physician's or other medical professional's professional judgment, and prohibiting the sharing of professional services income with non-professional or business interests. These laws vary from state to state and are subject to broad interpretation and enforcement by state regulators. A determination of non-compliance could lead to adverse judicial or administrative action against us, civil or criminal penalties, receipt of cease and desist orders from state regulators, loss of professional licenses, or a restructuring of our business arrangements.

Pharmacy Licensing and Registration

State laws require that each of our pharmacy locations be appropriately licensed and/or registered to dispense pharmaceuticals in that state. We were licensed in all states that require such licensure and complied with all state licensing laws applicable to our business. Laws enforced by the DEA, as well as some similar state agencies, required our pharmacy locations to individually register to handle controlled substances, including prescription pharmaceuticals. We maintained DEA registrations for each of our facilities that required such registration and followed procedures intended to comply with all applicable federal and state requirements regarding controlled substances. On January 19, 2023, we announced our plans to exit the retail pharmacy services business, including SpotRx, in order to focus on our pharmacy technology business. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

Food, Drug and Cosmetic Act

Certain provisions of the federal Food, Drug and Cosmetic Act govern the handling and distribution of pharmaceutical products. This law exempts many pharmaceuticals and medical devices from federal labeling and packaging requirements, if they are not adulterated or misbranded and are dispensed in accordance with and pursuant to a valid prescription. We comply with all applicable requirements.

Fraud and Abuse Laws — Anti-Kickback Statute

The federal Anti-Kickback Statute prohibits individuals and entities from knowingly and willfully paying, offering, receiving, or soliciting money or anything else of value in order to induce the referral of patients or to induce a person to purchase, lease, order, arrange for, or recommend services or goods covered by Medicare, Medicaid, or other federal healthcare programs. The federal courts have held that an arrangement violates the Anti-Kickback Statute if any one purpose of the remuneration is to induce the referral of patients covered by the Medicare or Medicaid programs, even if another purpose of the payment is to compensate an individual for rendered services. The Anti-Kickback Statute is broad and potentially covers many standard business arrangements. Violations can lead to significant penalties, including criminal fines of up to $100,000 per violation and/or ten years imprisonment, civil monetary penalties of up to $50,000 per violation plus treble damages and/or exclusion from participation in Medicare, Medicaid and other federal healthcare programs. Certain types of payments are excluded from the statutory prohibition. Additionally, in an effort to clarify the conduct prohibited by the Anti-Kickback Statute, the Office of the Inspector General of HHS, or the OIG, publishes regulations that identify a limited number of safe harbors. Business arrangements that satisfy all of the elements of a safe harbor are immune from criminal enforcement or civil administrative actions. The Anti-Kickback Statute is an intent-based statute and the failure of a business relationship to satisfy all of the elements of a safe harbor does not, in and of itself, mean that the business relationship violates the Anti-Kickback Statute. The OIG, in its commentary to the safe harbor regulations, has recognized that many business arrangements that do not satisfy a safe harbor nonetheless operate without the type of abuses the Anti-Kickback Statute is designed to prevent. We attempt to structure our business relationships to satisfy an applicable safe harbor. However, in those situations where a business relationship does not fully satisfy the elements of a safe harbor, we attempt to satisfy as many elements of an applicable safe harbor as possible. The OIG is authorized to issue advisory opinions regarding the interpretation and applicability of the Anti-Kickback Statute, including whether an activity constitutes grounds for the imposition of civil or criminal sanctions.

Several states have statutes and regulations that prohibit the same general types of conduct as those prohibited by the Anti-Kickback Statute described above. Some state anti-fraud and anti-kickback laws apply only to goods and services covered by Medicaid. Other state anti-fraud and anti-kickback laws apply to all healthcare goods and services, regardless of whether the source of payment is governmental or private. Where applicable, we structure our business relationships to comply with these statutes and regulations.

Fraud and Abuse Laws — False Claims Act

We are subject to state and federal laws that govern the submission of claims for reimbursement. These laws generally prohibit an individual or entity from knowingly and willfully presenting a claim or causing a claim to be presented for payment from a federal healthcare program that is false or fraudulent. The standard for “knowing and willful” may include conduct that amounts to a reckless disregard for the accuracy of information presented to payors. Penalties under these statutes include substantial civil and criminal fines, exclusion from the Medicare or Medicaid programs and imprisonment. One of the most prominent of these laws is the federal False Claims Act, which may be enforced by the federal government directly or by a private plaintiff by filing a qui tam lawsuit on the government’s behalf. Under the False Claims Act, the government and private plaintiffs, if any, may recover monetary penalties in the amount of $13,508 to $27,018 per false claim, subject to adjustment for inflation, as well as an amount equal to three times the amount of damages sustained by the government as a result of the false claim. Several states, including states in which we operate, have adopted their own false claims statutes as well as statutes that allow individuals to bring qui tam actions. In recent years, federal and state government authorities have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws, and they have conducted numerous investigations of pharmaceutical manufacturers, or pharmacy benefit managers “PBMs”, pharmacies and healthcare providers with respect to false claims, fraudulent billing and related matters. We have procedures in place to ensure the accuracy of our claims.

Ethics in Patient Referrals Law — Stark Law

The federal Physician Self-Referral Prohibition, commonly known as the Stark Law, generally prohibits a physician from ordering Designated Health Services for Medicare and Medicaid patients from an entity with which the physician or an immediate family member has a financial relationship and prohibits the entity from presenting or causing to be presented claims to Medicare or Medicaid for those referred services, unless an exception applies. A financial relationship is generally defined as an ownership, investment, or compensation relationship. Designated Health Services include, but are not limited to, outpatient pharmaceuticals, parenteral and enteral nutrition products, home health services, durable medical equipment, physical and occupational therapy services, and inpatient and outpatient hospital services. Among other sanctions, a civil monetary penalty of over $15,000 may be imposed for each bill or claim for a service a person knows or should know is for a service for which payment may not be made due to the Stark Law. Such persons or entities are also subject to exclusion from the Medicare and Medicaid programs. Any person or entity participating in a circumvention scheme to avoid the referral prohibitions is liable for a civil monetary penalty of up to $100,000 per scheme or arrangement. A fine of over $20,000 may be imposed for failure to comply with reporting requirements regarding an entity's ownership, investment and compensation arrangements for each day for which reporting is required to have been made under the Stark Law.

The Stark Law is a broad prohibition on certain business relationships, with detailed exceptions. However, unlike the Anti-Kickback Statute under which an activity may fall outside a safe harbor and still be lawful, a referral for Designated Health Services that does not fall within an exception is strictly prohibited by the Stark Law. We structure all our relationships with physicians who make referrals to us in compliance with an applicable exception to the Stark Law.

In addition to the Stark Law, many of the states in which we operate has comparable restrictions on the ability of physicians to refer patients for certain services to entities with which they have a financial relationship. Certain of these state statutes mirror the Stark Law while others may be more restrictive. We structure all of our business relationships with physicians to comply with any applicable state self-referral laws.

HIPAA and Other Privacy and Confidentiality Legislation

Our activities involve the receipt, use and disclosure of confidential health information, including disclosure of the confidential information to a patient's health benefit plan, as permitted in accordance with applicable federal and state privacy laws. In addition, we use and disclose identified data for analytical and other purposes. Many state laws restrict the use and disclosure of confidential medical information, and similar new legislative and regulatory initiatives are underway at the state and federal levels.

HIPAA imposes extensive requirements on the way in which healthcare providers that engage in certain actions covered by HIPAA, as well as healthcare clearinghouses (each known as "covered entities") and the persons or entities that create, receive, maintain, or transmit protected health information, or PHI, on behalf of covered entities (known as "business associates") and their subcontractors, use, disclose and safeguard PHI, including requirements to protect the integrity, availability and confidentiality of electronic PHI. Many of these obligations were expanded under the Health Information Technology for Economic and Clinical Health Act, or HITECH, passed as part of the American Recovery and Reinvestment Act of 2009. In January 2013, the Office for Civil Rights of HHS issued a final rule under HITECH that makes significant changes to the privacy, security, breach notification and enforcement regulations promulgated under HIPAA, or the Final Omnibus Rule, and which generally took effect in September 2013. The Final Omnibus Rule enhances individual privacy protections, provides individuals new rights to their health information and strengthens the government's ability to enforce HIPAA.

The privacy regulations, or the Privacy Rule, issued by the Office of Civil Rights of HHS pursuant to HIPAA, give individuals the right to know how their PHI is used and disclosed, as well as the right to access, amend and obtain information concerning certain disclosures of PHI. Covered entities, such as pharmacies and health plans, are required to provide a written Notice of Privacy Practices to individuals that describes how the entity uses and discloses PHI, and how individuals may exercise their rights with respect to their PHI. For most uses and disclosures of PHI other than for treatment, payment, healthcare operations and certain public policy purposes, HIPAA generally requires that covered entities obtain a valid written individual authorization. In most cases, use or disclosure of PHI must be limited to the minimum necessary to achieve the purpose of the use or disclosure. The Final Omnibus Rule modifies the content of Notice of Privacy Practices in significant ways, requiring, among other things, statements informing individuals of their rights to receive notifications of any breaches of unsecured PHI and to restrict disclosures of PHI to a health plan where the individual pays out of pocket.

We are a covered entity under HIPAA in connection with our operation of specialty service pharmacies. To the extent that we provide services other than as a covered entity and we perform a function or activity, or provide a service to, a covered entity that involves PHI, the covered entity may be required to enter into a business associate agreement with us. Business associate agreements mandated by the Privacy Rule create a contractual obligation for us, as a business associate, to perform our duties for the applicable covered entity in compliance with the Privacy Rule. In addition, HITECH subjects us to certain aspects of the Privacy Rule and the HIPAA security regulations when we act as a business associate, including imposing direct liability on business associates for impermissible uses and disclosures of PHI and the failure to disclose PHI to the covered entity, the individual, or the individual's designee (as specified in the business associate agreement), as necessary to satisfy a covered entity's obligations with respect to an individual's request for an electronic copy of PHI. The Final Omnibus Rule also extends the

business associate provisions of HIPAA to subcontractors where the function, activity, or service delegated by the business associate to the subcontractor involves the creation, receipt, maintenance, or transmission of PHI. As such, business associates are required to enter into business associate agreements with subcontractors for services involving access to PHI and may be subject to civil monetary penalties for the acts and omissions of their subcontractors.

Importantly, the Final Omnibus Rule greatly expands the types of product- and service-related communications to patients or enrollees that will require individual authorizations by requiring individual authorization for all treatment and healthcare operations communications where the covered entity receives payment in exchange for the communication from or on behalf of a third-party whose product or service is being described. While the Office of Civil Rights of HHS has established limited exceptions to this rule where individual authorization is not required, the marketing provisions finalized in the Final Omnibus Rule could potentially have an adverse impact on our business and revenues.

If we fail to comply with HIPAA or our policies and procedures are not sufficient to prevent the unauthorized disclosure of PHI, we could be subject to liability, fines and lawsuits under federal and state privacy laws, consumer protection statutes and other laws. Criminal penalties and civil sanctions may be imposed for failing to comply with HIPAA standards either as a covered entity or business associate, and these penalties and sanctions have significantly increased under HITECH. In addition to imposing potential monetary penalties, HITECH also requires the Office of Civil Rights of HHS to conduct periodic compliance audits and empowers state attorneys general to bring actions in federal court for violations of HIPAA on behalf of state residents harmed by such violations. Several such actions have already been brought, and continued enforcement actions are likely to occur in the future.

The transactions and code sets regulation promulgated under HIPAA requires that all covered entities that engage in certain electronic transactions, directly or through a third-party agent, use standardized formats and code sets. We, in our role as a business associate of a covered entity, must conduct such transactions in accordance with such transaction rule and related regulations that require the use of operating rules in connection with HIPAA transactions. In our role as a specialty pharmacy operator, it must also conduct such transactions in accordance with such regulations or engage a clearinghouse to process our covered transactions. HHS promulgated a National Provider Identifiers, or NPI, Final Rule that requires covered entities to utilize NPIs in all standard transactions. NPIs replaced National Association of Boards of Pharmacy numbers for pharmacies, DEA numbers for physicians and similar identifiers for other healthcare providers for purposes of identifying providers in connection with HIPAA standard transactions. Covered entities may be excluded from federal healthcare programs for violating these regulations.

The security regulations issued pursuant to HIPAA mandate the use of administrative, physical and technical safeguards to protect the confidentiality of electronic PHI. Such security rules apply to covered entities and business associates.

We must also comply with the "breach notification" regulations, which implement provisions of HITECH. In the case of a breach of "unsecured PHI," covered entities must promptly notify affected individuals and the HHS Secretary, as well as the media in cases where a breach affects more than 500 individuals. Breaches affecting fewer than 500 individuals must be reported to the HHS Secretary on an annual basis. The regulations also require business associates of covered entities to notify the covered entity of such breaches by the business associate.

Final regulations governing the accounting of disclosures implementing provision in HITECH are forthcoming, but have been subject to significant delay. The initial proposed rule, if finalized, would require covered entities to develop systems to monitor and record: (1) which of their employees and business associates access an individual's electronic PHI contained in a designated record set; (2) the time and date access occurs; and (3) the action taken during the access session (e.g., modification, deletion, viewing). The final regulations could impose significant burdens on covered entities and business associates.

The ACA (as defined in "Health Reform Legislation" below) require the HHS Secretary to develop new health information technology standards that could require changes to our existing software products. For example, the statute requires the establishment of interoperable standards and protocols to facilitate electronic enrollment of individuals in federal and state health and human services programs and provides the government with authority to require incorporation of these standards and protocols in health information technology investments as a condition of receiving federal funds for such investments.

HIPAA generally preempts state laws, except when state laws are more protective of PHI or are more restrictive than HIPAA requirements. Therefore, to the extent states continue to enact more protective or restrictive legislation, we could be required to make significant changes to our business operations. In addition, independent of any statutory or regulatory restrictions, individual health plan clients could increase limitations on our use of medical information, which could prevent us from offering certain services.

Medicare Part D

The Medicare Part D program, which makes prescription drug coverage available to eligible Medicare beneficiaries, regulates various aspects of the provision of Medicare drug coverage, including enrollment, formularies, pharmacy networks, marketing and claims processing. The

Centers for Medicare & Medicaid Services, or CMS, imposed restrictions and consent requirements for automatic prescription delivery programs, and further limited the circumstances under which Medicare Part D plans may recoup payments to pharmacies for claims that are subsequently determined not payable under Medicare Part D. CMS sanctions for non-compliance may include suspension of enrollment and even termination from the program.

The Medicare Part D program has undergone significant legislative and regulatory changes since its inception. Medicare Part D continues to attract a high degree of legislative and regulatory scrutiny, and applicable government rules and regulations continue to evolve. For example, CMS may issue regulations that limit the ability of Medicare Part D plans to establish preferred pharmacy networks. In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. In an effort to curb Medicare patients' out-of-pocket costs for prescription drugs, the Part D redesign legislation requires manufacturers to contribute to the catastrophic coverage phase for Part D drugs as discounts through a manufacturer discount program. Furthermore, any reduction in reimbursement from Medicare and other government programs may result in a similar reduction in payments from private payors.

Health Reform Legislation

Congress passed major health reform legislation, including the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act of 2010, or the ACA, which enacted a number of significant healthcare reforms. Since its enactment, there have been executive, judicial and Congressional challenges to certain aspects of the ACA. For example, the Tax Cuts and Jobs Act of 2017 (Tax Act) was enacted, which, among other things, removed penalties for not complying with ACA's individual mandate to carry health insurance, effective January 1, 2019. In June 2021 the U.S. Supreme Court held that Texas and other challengers had no legal standing to challenge the ACA, dismissing the case on procedural grounds without specifically ruling on the constitutionality of the ACA. Thus, the ACA will remain in effect in its current form. It is possible that the ACA will be subject to judicial or Congressional challenges in the future. It is unclear how any such challenges and healthcare measures promulgated by the Biden administration will impact the ACA, our business, financial condition and results of operations. On January 28, 2021, President Biden issued an executive order to initiate a special enrollment period to help people obtain health insurance coverage through the ACA marketplace. This executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare. As noted above, the Inflation Reduction Act of 2022 includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries. Complying with any new legislation or reversing changes implemented under the ACA could be time-intensive and expensive, resulting in a material adverse effect on our business.

Managed Care Reform

In addition to health reforms enacted by the ACA, legislation has been considered, proposed and/or enacted at the state level, aimed at providing additional rights and access to drugs to individuals enrolled in managed care plans. This legislation may impact the design and implementation of prescription drug benefit plans sponsored by our PBM health plan clients and/or the services we provide to them. Both the scope of the managed care reform proposals considered by state legislatures and reforms enacted by states to date vary greatly, and the scope of future legislation that may be enacted is uncertain.

21st Century Cures Act

The 21st Century Cures Act, or the Cures Act, enacted in December 2016, among other things implemented Average Sales Price pricing for Part B DME infusion drugs in January 2017 and delayed payment for the home infusion services necessary to administer these drugs until January 2021. Given our current understanding of the Cures Act, we do not believe that it will have a significant impact on our business.

Consumer Protection Laws

The federal and state governments have many consumer protection laws that may apply to our business operations. These laws have been the basis for investigations, lawsuits and multi-state settlements relating to, among other matters, the marketing of loyalty programs and health care services, pricing accuracy, expired front store products, financial incentives provided by drug manufacturers to pharmacies in connection with therapeutic interchange programs and disclosures related to how personal data is used and protected.

Environmental and Safety Regulation

Our business is subject to various federal, state and local laws, regulations and other requirements pertaining to protection of the environment, public health and employee safety, including, for example, regulations governing the management of hazardous substances, the cleaning up of contaminated sites, and the maintenance of safe working conditions in our stores, distribution centers and other facilities. Governmental agencies on the federal, state and local levels have, in recent years, increasingly focused on the retail and health care sectors' compliance with such laws and regulations, and have at times pursued enforcement activities. Any failure to comply with these regulations could result in fines or other sanctions by government authorities.

Human Capital

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants, into our company. The principal purposes of our cash and equity incentive plans are to attract, retain and reward personnel through the granting of cash-based and stock-based compensation awards, in order to increase stockholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our short- and long-term business goals.

Diversity, Inclusion & Equal Opportunity

We are committed to providing a work environment that is free of discrimination and harassment. We are an equal-opportunity employer. We make employment decisions on the basis of a person's qualifications, and our business needs. We have ongoing outreach efforts to recruit a diverse candidate pool and are building questions into our engagement survey to promote a diverse and inclusive environment.

As new employees join us, they learn more about our policies and culture through orientation and onboarding, our Employee Handbook, Code of Conduct, and compliance trainings. These all provide guidance on how we expect to operate in order to foster diversity, equity and inclusion.

Health, Safety, and Wellness

We are committed to maintaining a healthy, safe, and secure work environment that protects our employees and visitors. Many of our employees are working from home and personal protective equipment has been provided to all employees coming into the office. Where feasible, physical distancing has been implemented. We use a multi-faceted approach to ensure the health and safety of our employees, from our Code of Conduct to our policies governing the way we act within and outside of our Company. We comply with applicable health, safety, and environmental laws as well as our policies and procedures. We have a zero-tolerance policy against aggressive behavior, violence, direct and indirect threats, harassment, intimidation, and possession of weapons on our property. Moreover, we strive to conduct our everyday business activities in an environmentally sustainable way through wellness programs, and webinars through our health insurance providers.

Commitment to Competitive and Fair Compensation

We believe that employees should be compensated fairly for their contributions to the company. We practice paying competitive salaries and hourly wages. In order to ensure we pay our employees competitively, annual benchmarking is completed on all our positions. We use external benchmarking surveys to guide our assessment of salary competitiveness. Each position is evaluated based on level of the role, the complexity of the position, and years of experience required. The Compensation Committee is responsible for our executive compensation programs for our executive officers and reports to our board of directors on its discussions, decisions and other actions.

Employees

As of December 31, 2022, we had 279 full-time employees worldwide. We believe that the success of our business will depend, in part, on our ability to attract and retain qualified personnel. None of our employees are represented by a labor union or are a party to a collective bargaining agreement. Subsequent to December 31, 2022, and effective January 18, 2023, we initiated a reduction in force, or the Reduction, in which approximately 75% of our full-time employees were terminated. The employees subject to the Reduction were primarily employees of our Pharmacy Services Business. The purpose of the Reduction is to preserve capital with the goal of maximizing the opportunity available to us to pursue our focus on the Pharmacy Technology Segment.

Corporate and other Information

We were originally incorporated as MYOS Corporation in the State of Nevada in April 2007. In March 2016, we completed a merger with our wholly-owned subsidiary, MYOS RENS Technology Inc., and formally assumed the subsidiary's name by filing Articles of Merger with the Secretary of State of the State of Nevada. The subsidiary was incorporated solely for the purpose of effecting the name change and the merger did not affect our governing documents or corporate structure in any other way. Following our acquisition of MedAvail, Inc. in November 2020, we reincorporated as a Delaware corporation and changed our name to MedAvail Holdings, Inc. In accordance with "reverse merger"

accounting treatment, our historical financial statements as of period ends, and for periods ended, prior to our acquisition of MedAvail, Inc. were replaced with the historical financial statements of MedAvail, Inc. in our SEC filings made after the acquisition. The Company's subsidiaries include MedAvail Technologies, Inc., MedAvail Technologies (US), Inc., MedAvail Pharmacy, Inc., and MedAvail, Inc.

Our principal executive offices are located at 4720 East Cotton Gin Loop, Suite 220, Phoenix, Arizona, 85040, and our telephone number is (905) 812-0023. Our website address is www.medavail.com. Investors and others should note that we announce material financial information to our investors using SEC filings, press releases, our investor relations website, public conference calls and webcasts. We use these channels to communicate with investors, customers and the public about us, our products and other issues. The information on, or that may be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and future growth prospects. Our business could be harmed by any of these risks. The risks and uncertainties described below are not the only ones we face. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, results of operations and future prospects. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. Please also see "Cautionary Notes Regarding Forward-Looking Statements."

Risk Factors Summary

Below is a summary of some of the more significant risks and uncertainties we face. This summary is not exhaustive and is qualified by reference to the full set of risk factors set forth in this Part I, Item A. The principal factors and uncertainties that make investing in our company risky include, among others:

- Our share price does not meet the minimum bid price for continued listing on Nasdaq. Our ability to continue operations or to publicly or privately sell equity securities and the liquidity of our common stock could be adversely affected if we do not regain compliance with the minimum bid price requirement and we are delisted from Nasdaq.
- We have a history of net losses, which we expect to continue, and we may not be able to achieve or sustain profitability in the future.
- General market conditions and other factors unrelated to our operating performance or the operating performance of our competitors, including deteriorating market conditions due to investor concerns regarding the effect of inflationary pressure, including any impact of adverse developments affecting the financial services industry, such as those based on liquidity constraints or concerns, and the ongoing military activity between Russia and Ukraine.
- The military action launched by Russian forces in Ukraine, the actions that have been and could be taken by other countries, including new and stricter sanctions and actions taken in response to such sanctions, have impacted, and may continue to impact, our business and results of operations, including our supply chains.
- Our auditors identified a material weakness in our internal control over financial reporting as of December 31, 2022. If we are unable to develop and maintain an effective system of internal controls and procedures required by Section 404(a) of the Sarbanes-Oxley Act, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our stock price, business and operating results.
- The COVID-19 pandemic and its variants, and efforts to reduce any future spread may negatively impact our business and operations.
- We may become a party to intellectual property litigation or administrative proceedings that could be costly and could interfere with our ability to sell and market our products.
- Changes in the regulatory environment may constrain or require us to restructure our operations, which may harm our revenue and operating results.

Risks Related to Our Business and Operations

Our share price does not meet the minimum bid price for continued listing on Nasdaq. Our ability to continue operations or to publicly or privately sell equity securities and the liquidity of our common stock could be adversely affected if we do not regain compliance with the minimum bid price requirement and we are delisted from Nasdaq.

We received a deficiency letter from Nasdaq notifying us that for the last 30 consecutive business days the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have 180 calendar days starting on October 31, 2022 or until May 1, 2023, to regain compliance with the Bid Price Rule. If, at any time before May 1, 2023, the bid price for our common stock closes at $1.00 or more for a minimum of 10 consecutive business days, we will regain compliance with the Bid Price Rule, unless the Nasdaq staff exercises its discretion to extend this 10-day period pursuant to Nasdaq listing rules. We have not regained compliance with Nasdaq Listing Rules as of the filing date of this Annual Report on Form 10-K.

If we do not regain compliance with Nasdaq Listing Rule 5550(a)(2) by May 1, 2023, we may be eligible for additional time to comply. To qualify, we will be required to meet certain continued listing requirements for market value of publicly held shares and all other initial listing standards for Nasdaq. If we meet these requirements, Nasdaq may grant us an additional 180 calendar days to regain compliance with the Bid Price Rule, and we may provide written notice to Nasdaq of our intention to cure the deficiency during the additional compliance period. One method to regain compliance in such circumstances would be to implement a reverse stock split, but there is no guarantee that a reverse stock split would be approved by the stockholders or that a reverse stock split would allow us to regain compliance with the Bid Price Rule, and such an action could result in an adverse effect on or negatively impact the price of our common stock.

If we do not regain compliance with the Bid Price Rule and are not eligible for or are not granted an additional compliance period, our common stock may be delisted. There can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the staff, such appeal would be successful. There can be no assurance that we will maintain compliance with the requirements for listing our common stock on Nasdaq.

Delisting could adversely affect our ability to raise additional capital through the public or private sale of equity securities, which would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock.

We and our stockholders could be materially adversely impacted if our common stock is delisted from Nasdaq. In particular:

- we may lose the confidence of our current or prospective third-party providers and collaboration partners, which could jeopardize our ability to enter into supply, manufacturing, licensing, and collaboration agreements and continue our business as currently conducted;
- we could be in a material breach under agreements we have with third parties, such as the Loan and Security Agreement between us and Silicon Valley Bank;
- the price of our common stock will likely decrease;
- stockholders may be unable to sell or purchase our common stock when they wish to do so;
- the potential loss of confidence by employees;
- we may lose the interest of institutional investors in our common stock;
- we may have fewer business development opportunities;
- we may lose the interest of institutional investors in our common stock;
- we may have fewer business development opportunities;
- we may lose media and analyst coverage;
- our common stock could be considered a "penny stock,' which would likely limit the level of trading activity in the secondary market for our common stock; and
- we would likely lose the active trading market for our common stock, as it may only be traded on one of the over-the counter markets, if at all.

We are an early-stage company with a history of net losses, and expect to incur operating losses in the future and may not be able to achieve or sustain profitability. We have a limited history operating as a commercial company. We believe that the funds received from our recent

private placement and the sale of our pharmacy assets will be sufficient for us to continue as a going concern in the Pharmacy Technology Segment for at least the next 12 months from the date of issuance of this report. We cannot guarantee, however, we may not require additional funds and financings to execute our business plan and to fund our operations.

We have incurred net losses since our inception in 2012. For the years ended December 31, 2022 and 2021, we had net losses of $47.6 million, and $43.8 million, respectively, and we expect to continue to incur additional losses in the future. As of December 31, 2022, we had an accumulated deficit of $239.7 million. To date, we financed our operations primarily through equity and debt financings and from deployments of our MedCenter solution and, through February 9, 2023, the operation of our full-service retail pharmacy platform.

Our ability to obtain financing is subject to multiple risks, many of which are beyond our control. We have and will continue to monitor our recurring operation costs, and we intend to raise additional capital in order to fund our operations and grow our business and are exploring options to raise capital. However, no assurance can be provided that we will be able to do so on commercially reasonable terms, or at all. To the extent that we are unable to do so, we may need to curtail or cease our operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. We do not yet generate sufficient revenues from our operations to fund our activities and are therefore dependent upon external sources for financing our operations.

Relevant accounting standards require that management make a determination as to whether or not substantial doubt exists as to our ability to continue as a going concern. If substantial doubt does exist we, management, should determine if there are plans in place which alleviate that doubt. We had previously identified substantial doubt as to our ability to continue as a going concern in the prior year as of March 29, 2022. Given, however, our recent private placement as described herein, and the reduction in operation cost resulting from its disposition of our pharmacy services business, we determined given ongoing cash requirements to fund operations, we have sufficient financial resources to continue operations through the date of this report and one year from the date of the financial statement issuance date, with no substantial doubt as to our ability to continue as a going concern going forward.

Our financial statements do not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as a going concern. If we cannot continue as a going concern, our stockholders may lose their entire investment in our common stock. The losses and accumulated deficit have primarily been due to the substantial investments that we have made to develop our products, as well as for costs related to general research and development, including clinical and regulatory initiatives to obtain marketing approval, sales and marketing efforts and infrastructure improvements.

We began commercializing our products in the United States in 2016 and therefore do not have a long history operating as a commercial company. Over the next several years, we expect to continue to devote a substantial amount of our resources to, among other matters, expand commercialization efforts, increase adoption for our products and develop additional products. As a public company, we have incurred and will continue to incur legal, accounting and other expenses related to being a public company. Accordingly, we expect to continue to incur operating losses for the foreseeable future and we cannot assure that we will achieve profitability in the future or that, if we become profitable, that we will sustain profitability. Our failure to achieve and sustain profitability in the future will make it more difficult to finance our business and accomplish our strategic objectives, which would have a material adverse effect on our business, financial condition and results of operations and cause the market price of our common stock to decline. In addition, failure of our products to significantly penetrate the target markets would negatively affect our business, financial condition and results of operations.

Our core technology - the MedCenter - has been in market since 2015 at limited volume and we have recently exited the pharmacy services business. Our new focus on our Pharmacy Technology Business will now be our only current and future revenue, for which we have a limited operating history; this makes it difficult to predict our future operating results.

We began shipping our MedCenter in 2015. Given the constantly evolving market for our product, regulatory changes to government healthcare programs and the constant competitive pressures in this market, our limited operating history with this market provides a limited basis upon which to evaluate our ability to accomplish our business objectives. We are in the early stages of deployment, and there are many risks associated with the rapidly changing pharmacy industry. We may not be successful in addressing these risks; and our limited operating history adds to the difficulty in forecasting our future revenue and planning expenses accordingly and, therefore, predicting our future operating results.

Our business could be harmed by any governmental enforcement actions, regulatory proceedings, inquiries and investigations, or similar actions, or similar private proceedings, that would alter how drug manufacturers promote or sell products and services.

The specialty pharmacy and pharmacy benefit managers, or PBM, industries are highly litigious and future litigation or other proceedings could subject us to significant monetary damages or penalties or require us to change our business practices, which could impair our reputation and result in a material adverse effect on our business.

We are subject to risks relating to litigation, enforcement actions, regulatory proceedings, government inquiries and investigations, and other similar actions in connection with our business operations. While we are currently not subject to any material litigation of this nature relating to our business operations, such litigation is not unusual in our industry. Further, while certain costs are covered by insurance, we may incur uninsured costs related to the defense of such proceedings that could be material to our financial performance. In addition, any material decline in the market price of our common stock may expose us as a public company to purported class action lawsuits that, even if unsuccessful, could be costly to defend or indemnify (to the extent not covered by insurance) and a distraction to management. The results of legal proceedings are often uncertain and difficult to predict, and we could from time to time incur judgments, enter into settlements, materially change our business practices or technologies or revise our expectations regarding the outcome of certain matters. In addition, the costs incurred in litigation can be substantial, regardless of the outcome. If one or more of these proceedings or any future proceeding has an unfavorable outcome, we cannot provide any assurance it would not have a material adverse effect on our business and results of operations, including our ability to attract and retain clients as a result of any negative reputational impact of such an outcome.

Our products, both hardware and software, are complex and require precision in design and manufacturing. Any errors in product performance could result in significant harm to our reputation and our business.

The development and production of new products with high technology content, such as our MedCenter, is complicated and often involves problems with software, components and manufacturing methods. Our products have contained and may continue to contain one or more undetected errors, defects or security vulnerabilities. Some errors in our products may only be discovered after a product has been installed and used by consumers. We suspect that errors, including potentially serious errors, may be found from time to time in our products. Our MedCenter may suffer degradation of performance and reliability over time. Furthermore, because we outsource the manufacturing of almost all of the key hardware components of our MedCenter, we may also be subject to product performance problems as a result of the acts or omissions of these third parties.

If reliability, quality or other problems develop, a number of negative effects on our business could result, including:

- costs associated with fixing or replacing products;
- reduced orders from existing customers; and
- declining interest from potential customers.

If we are unable to manage our administrative and operational infrastructures we will suffer significant harm.

Our ability to manage our operations and growth will require us to continue to refine our operational, financial and management controls, human resource policies, and reporting systems and procedures.

We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. If we are unable to manage future expansion, our ability to provide high quality products and services could be harmed, which would damage our reputation and brand and substantially harm our business and results of operations.

Our business results depend on our ability to successfully manage ongoing organizational change and business transformation and achieve cost savings and operating efficiency initiatives.

If we are unable to continually obtain productivity improvements, while continuing to invest in business growth, or if the volume and nature of change overwhelms available resources, our business operations and financial results could be materially and adversely impacted. Our ability to successfully manage and execute these initiatives and realize expected savings and benefits in the amounts and at the times anticipated is important to our business success. Any failure to do so, which could result from our inability to successfully execute organizational change and business transformation plans, changes in global or regional economic conditions, competition, changes in the industries in which we compete, unanticipated costs or charges, loss of key personnel and other factors described herein, could have a material adverse effect on our businesses, financial condition and results of operations.

Our recent management and board transition may divert resources and attention from the daily operation of our business

We believe that our success depends largely on the efforts and abilities of our senior executive management team and the members of our board of directors. Their experience and industry contacts significantly benefit us. Our future success also depends in large part on our ability to attract, retain and motivate key management and operating personnel. We completed our previously announced Chief Executive Officer transition, Chief Financial Officer transition, other executive management transitions, and changes to our Board of Directors during the years ended December 31, 2022 and 2021, respectively. These transitions or other transitions in the future may create uncertainty and involve a diversion of resources and management attention, be disruptive to our daily operations or impact public or market perception, any of which

could negatively impact our ability to operate effectively or execute our strategies and result in a material adverse impact on our business, financial condition, results of operations or cash flows.

We face significant competition in attracting and retaining talented employees. Further, managing succession for, and retention of, key executives is critical to our success, and our failure to do so could adversely affect our businesses, operating results and/or future performance.

Our ability to attract and retain qualified and experienced employees is essential to meet our current and future goals and objectives. There is no guarantee we will be able to attract and retain such employees or that competition among potential employers will not result in increased compensation and/or benefits costs. In addition, our success is highly dependent on the services of key members of our executive management team and others in key management positions. Any of our employees may terminate their employment with us at any time. If we lose one or more key employees, or are unable to retain existing employees, or attract additional employees, or we experience an unexpected loss of leadership again at the executive level, then we may experience difficulties in competing effectively, developing our technologies, or implementing our business strategy, and, as a result, we could experience a material adverse effect on our businesses, operating results and/or future performance.

In addition, our failure to adequately plan for succession of senior management and other key management roles or the failure of key employees to successfully transition into new roles could have a material adverse effect on our businesses, operating results and/or future performance. The succession plans we have in place and our employment arrangements with certain key executives do not guarantee the services of these executives will continue to be available to us.

If we or the businesses we interact with do not maintain the privacy and security of sensitive customer and business information, that could damage our reputation and we could suffer a loss of revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny.

The protection of customer, employee, and our data is critical to our businesses. Cybersecurity and other information technology security risks, such as a breach of customer, employee, or company data, could create significant workflow disruption, attract substantial media attention, damage our customer relationships, reputation and brand, and result in lost sales, claims, demands or lawsuits from private parties, investigations and other proceedings by governmental authorities, and fines, penalties, and other liabilities. Throughout our operations, we receive, retain and transmit certain personal information that our customers and others provide to purchase products or services, fill prescriptions, enroll in promotional programs, participate in our customer loyalty programs, register on our websites, or otherwise communicate and interact with us. In addition, aspects of our operations depend upon the secure transmission of confidential information over public networks. Like other global companies, we and businesses we interact with have experienced threats to data and systems, including by perpetrators of random or targeted malicious cyber-attacks, computer viruses, ransomware, worms, bot attacks or other destructive or disruptive software and attempts to access, use, misappropriate, or otherwise process, customer information, including credit card information, and other information of ours or our service providers processor maintain, and cause system failures and disruptions. Our security measures and those of our third-party service providers may be undermined due to the actions of outside parties, employee error, malfeasance, or otherwise. Any security breach or incident or other compromise of our data security systems or measures or of those of our service providers or other businesses with whom we interact, which results in disruption to our business or operations or personal information, intellectual property, or other confidential or sensitive information being accessed, obtained, damaged, rendered unavailable, lost, used, or otherwise processed by unauthorized or improper persons, or any perception that any of the foregoing have occurred, could harm our reputation and expose us to regulatory investigations, proceedings, and other actions, customer attrition, harm to our market position, expenses to remediate and otherwise respond to the incident, and claims from customers, financial institutions, payment card associations and other persons, any of which could materially and adversely affect our business operations, financial condition and results of operations. Because the techniques used to obtain unauthorized access to, disrupt, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of having occurred, we may be unable to anticipate these techniques or to implement adequate preventative measures, and we may face difficulties or delays in identifying or responding to security breaches and incidents. In addition, a security breach or incident could require that we expend substantial additional resources related to the security of information systems and disrupt our businesses. These risks may be increased as a result of an increase in personnel working remotely.

We depend on and interact with the information technology networks and systems of third-parties for many aspects of our business operations, including payors, strategic partners and cloud service providers. These third parties may have access to information it maintains about us or our operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. Like us, these third-parties are subject to risks imposed by security breaches and incidents and cyber-attacks and other events or actions that could damage, disrupt, or close down their networks or systems or result in unauthorized access to or processing of information stored on or otherwise processed by such networks or systems. Any expansion of information technology outsourcing, including through arrangements with our strategic partners, may increase vulnerabilities and weaknesses relating to cybersecurity and data management. Security processes, protocols and standards that we have implemented and contractual provisions requiring security measures that we may have sought to impose

on such third-parties may not be sufficient or effective at preventing such events, which could result in unauthorized access to, or disruptions or denials of access to, or misuse , unauthorized acquisition, use, disclosure or other unauthorized processing of, information or systems that are important to our business, including proprietary information, sensitive or confidential data, and other information about our operations, customers, employees and suppliers, including personal information.

The regulatory environment surrounding data security and privacy is increasingly demanding, with the frequent imposition of new and changing requirements across businesses and geographic areas. We are required to comply with increasingly complex and changing data security and privacy regulations in the United States and in other jurisdictions in which we operate that regulate the collection, use, transfer and other processing of personal data, including the transfer of personal data between or among countries. In the United States, for example, HIPAA imposes extensive privacy and security requirements governing the transmission, use and disclosure of health information by covered entities in the health care industry, including health care providers such as pharmacies, and their business associates. In addition, the California Consumer Privacy Act, which went into effect on January 1, 2020, imposes stringent requirements on the use and treatment of "personal information" of California residents, which term is broadly defined to include, among other things, information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked to a consumer or household. In addition, it is anticipated that the California Consumer Privacy Act will be expanded on January 1, 2023, when the California Privacy Rights Act of 2020 becomes operative. Other U.S. states have enacted, or are proposing similar laws related to the protection of personal data. In addition, the U.S. federal government is considering federal privacy legislation. Outside the United States, many of our business units operate in countries with stringent data protection regulations, and these laws continue to change. For example, the European Union's General Data Protection Regulation, which became effective in May 2018, greatly increased the jurisdictional reach of European Union data protection laws and added a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, and provides for greater penalties for noncompliance. Other countries have enacted or are considering enacting data localization laws that require certain data to stay within their borders.

New and evolving legal and regulatory requirements associated with privacy, data protection, and information security, and our efforts to comply with them, require us to incur substantial costs and may require changes to our business practices in certain jurisdictions, any of which could materially and adversely affect our business operations and operating results. We may also face audits, investigations or other proceedings by one or more domestic or foreign government agencies relating to our compliance with these laws and regulations, and may face claims, demands, and litigation from private parties relating to any actual or asserted failure by us to comply with these laws and regulations. Compliance with new and evolving privacy, data protection, and information security laws, standards, and other actual or asserted obligations may result in significant expense due to factors such as requirements for increased investment in technology and the development of new operational processes. If we or those with whom we share or permit to process information fail to comply with these laws and regulations or experience a data security breach or incident, or any of these events is perceived to have occurred, our reputation could be damaged and we could be subject to additional litigation and regulatory risks, particularly to the extent the breach relates to sensitive data.

With laws, regulations and other obligations relating to privacy, data protection, and data security imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other obligations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us or our service providers to comply with applicable policies or notices relating to privacy or data protection, contractual or other obligations to third parties, or any other actual or asserted legal obligations relating to privacy or data protection, may result in governmental investigations or enforcement actions, litigation, claims and other proceedings, harm our reputation and market position, and could result in significant liability.

We cannot provide assurance that any insurance we maintain will be adequate or otherwise protect us from or adequately mitigate liabilities or damages with respect to claims, costs, expenses, litigation, fines, penalties, business loss, data loss, regulatory actions or material adverse effects arising out of our privacy, data protection, or data security practices, or that such coverage will be available on acceptable terms or at all. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

Our business success and operating results depend in part on effective information technology systems and on continuing to develop and implement improvements in technology. Pursuing multiple initiatives simultaneously could make this continued development and implementation significantly more challenging.

Many aspects of our operations are dependent on our information systems and the information collected, processed, stored, and handled by these systems. We rely heavily on our computer systems to manage our ordering, pricing, point-of-sale, pharmacy fulfillment, inventory replenishment, claims processing, customer loyalty and subscription programs, finance and other processes. Throughout our operations, we collect, process, maintain, retain, evaluate, utilize and distribute large amounts of confidential and sensitive data and information, including

personally identifiable information and protected health information, that our customers, members and other constituents provide to purchase products or services, enroll in programs or services, register on our websites, interact with our personnel, or otherwise communicates with us. In addition, for these operations, we depend in part on the secure transmission of confidential information over public networks.

We have many different information and other technology systems supporting our businesses. Our businesses depend in large part on these systems to adequately price our products and services; accurately establish reserves, process claims and report operating results, and interact with providers, employer plan sponsors, customers, members, consumers and vendors in an efficient and uninterrupted fashion. In addition, recent trends toward greater consumer engagement in health care require new and enhanced technologies, including more sophisticated applications for mobile devices. Certain of our technology systems, including software, are older, legacy systems that are less flexible, less efficient and require a significant ongoing commitment of capital and human resources to maintain, protect and enhance them and to integrate them with our other systems. We must re-engineer and reduce the number of these systems to meet changing consumer and vendor preferences and needs, improve our productivity and reduce our operating expenses. We also need to develop or acquire new technology systems, contract with new vendors or modify certain of our existing systems to support the consumer-oriented and transformation products and services we are developing, operating and expanding and/or to meet current and developing industry and regulatory standards, including to keep pace with continuing changes in information processing technology and emerging cybersecurity risks and threats. If we fail to achieve these objectives, our ability to profitably grow our business and/or our operating results may be adversely affected.

In addition, information technology and other technology and process improvement projects frequently are long-term in nature and may take longer to complete and cost more than we expect and may not deliver the benefits we project once they are complete. If we do not effectively and efficiently secure, manage, integrate and enhance our technology portfolio, including vendor sourced systems, we could, among other things, have problems determining health care and other benefit cost estimates and/or establishing appropriate pricing, meeting the needs of customers, consumers, providers, members and vendors, developing and expanding our consumer-oriented products and services or keeping pace with industry and regulatory standards, and our operating results may be adversely affected.

We could be adversely affected by product liability, product recall, personal injury or other health and safety issues.

We could be adversely impacted by the supply of defective or expired products, including the infiltration of counterfeit products into the supply chain, errors in re-labeling of products, product tampering, product recall and contamination or product mishandling issues. Errors in the dispensing and packaging of pharmaceuticals, including related counseling could lead to serious injury or death. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. For example, from time to time, the FDA issues statements alerting patients that products in our and other pharmacies supply chains may contain impurities or harmful substances, and claims relating to the sale or distribution of such products may be asserted against us or arise from these statements. Should a product or other liability issue arise, the coverage limits under our insurance programs and third-party indemnification amounts available to us may not be adequate to protect us against claims and judgments. We also may not be able to maintain this insurance on acceptable terms in the future.

Changes in economic conditions could adversely affect consumer buying practices.

Our performance has been, and may continue to be, adversely impacted by changes in global, national, regional or local economic conditions and consumer confidence. These conditions can also adversely affect our key vendors and customers. External factors that affect consumer confidence and over which we exercise no influence include the impact of COVID-19 and any future pandemics, unemployment rates, inflation, levels of personal disposable income, levels of taxes and interest and global, national, regional or local economic conditions, as well as acts of war or terrorism. Changes in economic conditions and consumer confidence could adversely affect consumer preferences, purchasing power and spending patterns, which could lead to a decrease in overall consumer spending as well as in prescription drug and health services utilization and which could be exacerbated by the increasing prevalence of high-deductible health insurance plans and related plan design changes.

In addition, inflationary pressures and shortages have increased and we expect will continue to increase costs for certain materials, components, supplies and services. If these effects continue for a prolonged period or result in sustained economic stress or recession, many of the risk factors identified in this risk factors section could be heightened. We determine our operating expenses largely on the basis of anticipated revenues and a high percentage of our expenses are fixed in the short and medium term. As a result, a failure or delay in generating or recognizing revenue could cause significant variations in our operating results and operating margin from quarter to quarter. Failure to sustain or improve our gross margins reduces our profitability and may have a material adverse effect on our business and stock price.

In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which

appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership.

Although we assess our banking relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all.

We may experience inflationary pressures, caused by the COVID-19 pandemic or as a result of general macroeconomic factors, which could increase our manufacturing costs and operating expenses and have a material adverse impact on our results of operations.

We continuously monitor the effects of inflationary factors, such as increases in our cost of goods sold and selling and operating expenses, which may adversely affect our results of operations. Specifically, we may experience inflationary pressure affecting the cost of the components for our MedCenter and in the wages that we pay our employees due to challenging labor market conditions. Competitive and regulatory conditions may restrict our ability to fully recover these costs through price increases. As a result, it may be difficult to fully offset the impact of persistent inflation. Our inability or failure to do so could have a material adverse effect on our business, financial condition and results of operations or cause us to need to obtain additional capital in the future earlier than anticipated.

We could be adversely impacted by changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters.

Generally Accepted Accounting Principles, or GAAP, and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, impairment of goodwill and other intangible assets, inventories, equity method investments, vendor rebates and other vendor consideration, lease obligations, self-insurance liabilities, pension and postretirement benefits, tax matters, unclaimed property laws and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. For example, changes in accounting standards and the application of existing accounting standards particularly related to the measurement of fair value as compared to carrying value for our reporting units, including goodwill, intangible assets and investments in equity interests, may have an adverse effect on our financial condition and results of operations. Factors that could lead to impairment of goodwill and intangible assets include significant adverse changes in the business climate and declines in the financial condition of a reporting unit. Factors that could lead to impairment of investments in equity interests of the companies in which we invested include a prolonged period of decline in their operating performance or adverse changes in the economic, regulatory and legal environments of the countries in which they operate.

We may be required to pay significant penalties if we are not able to fulfill all of our registration requirements under outstanding registration rights agreements.

We are parties to registration rights agreements entered into on March 30, 2022, or the 2022 Registration Rights Agreement, and March 9, 2023, or the 2023 Registration Rights Agreement, with respect to shares of Common Stock held by certain MedAvail Holdings, Inc. stockholders. Pursuant to the obligations under the 2022 Registration Rights Agreement, we filed registration statements on June 3, 2022, and August 12, 2022, which were declared effective as of June 24, 2022, and August 26, 2022, respectively, and we have an obligations to maintain the effectiveness of registration statements until the earlier of (i) such time as such shares have been sold by such stockholders or (ii) the date under which such shares could be sold in any 90 day period pursuant to Rule 144. We have an obligation under the 2023 Registration Rights Agreement to prepare and file, registration statements within 60 days of the closing of our 2023 private placement with respect to the shares of common stock underlying the pre-funded warrants issued in our 2023 private placement, and within 30 days following the issuance of the Series A Warrants issued in our 2023 private placement with respect to the shares of common stock underlying the Series A Warrants, and thereafter cause such registration statements to become effective with the SEC. The failure to keep such registrations effective could result in the payment of liquidated damage by us, which could be as much as approximately $150,000 per month until the certain registration statements is re-declared effective. There can be no assurance that we will not incur damages with respect to such agreements.

We have registration rights obligations with respect to shares of Common Stock held by legacy MedAvail stockholders. Pursuant to these obligations, we filed a registration statement on May 12, 2021, which was declared effective as of May 14, 2021, and we have an obligation to maintain the effectiveness of such registration statement until the earlier of (i) such time as such shares have been sold by such legacy stockholders or (ii) the date under which such shares could be sold in any 90 day period pursuant to Rule 144. The failure to keep such registration effective could result in the payment of liquidated damage by us, which could be as much as approximately $150,000 per month until the certain registration statement is re-declared effective. There can be no assurance that we will not incur damages with respect to such agreement.

Legal Risks

We are exposed to risks related to litigation and other legal proceedings.

We operate in a highly regulated and litigious environment. We may become involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax and other governmental authorities.

Legal proceedings, in general, and securities, derivative action and class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years.

Like other companies in the medical and technology pharmacy industries, we are subject to extensive regulation by national, state and local government agencies in the United States and other countries in which it may operate. There continues to be a heightened level of review and/or audit by regulatory authorities of, and increased litigation regarding, our and the rest of the health care and related industry's business, compliance and reporting practices. As a result, we are regularly the subject of government actions of the types described above. In addition, under the qui tam or "whistleblower" provisions of the federal and various state false claims acts, persons may bring lawsuits alleging that a violation of the federal anti-kickback statute or similar laws has resulted in the submission of "false" claims to federal and/or state healthcare programs, including Medicare and Medicaid. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination.

We cannot predict with certainty the outcomes of any legal proceedings and other contingencies, and the costs incurred in litigation can be substantial, regardless of the outcome. Substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, we could from time to time incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could harm our reputation and have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid. In addition, as a result of governmental investigations or proceedings, we may be subject to damages, civil or criminal fines or penalties, or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs. The outcome of some of these legal proceedings and other contingencies could require us to take, or refrain from taking, actions which could negatively affect our operations. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources.

Risks Related to Government Regulation

If we fail to comply with applicable laws and regulations, many of which are highly complex, we could be subject to significant adverse regulatory actions or suffer brand and reputational harm.

We are subject to extensive regulation and oversight by state, federal and international governmental authorities. See "Business - Government Regulation." The laws and regulations governing our operations and interpretations of those laws and regulations are increasing in number and complexity, change frequently and can be inconsistent or conflict with one another. In general, these laws and regulations are designed to benefit and protect customers, members and providers rather than us or our investors. In addition, the governmental authorities that regulate our businesses have broad latitude to make, interpret and enforce the laws and regulations that govern us and continue to interpret and enforce those laws and regulations more strictly and more aggressively each year. We also must follow various restrictions on certain of our businesses and the payment of dividends by certain of our subsidiaries put in place by certain state regulators.

In addition, during the past several years, the United States health care industry has been subject to an increase in governmental regulation and enforcement activity at both the federal and state levels. Further, uncertainties exist regarding the application of many of these legal requirements to our business. In addition, it is possible that certain provisions of the current health care reform legislation may be modified, repealed or otherwise invalidated. Changes in these laws and regulations and the related interpretations and enforcement practices may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; significant fines or monetary penalties; suspension or disgorgement of payments from government programs; loss of required

government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs; or loss of registrations or licensure.

The regulations to which we are subject include, but are not limited to: the laws and regulations described in the Government Regulation section; accounting standards; financial disclosure; securities laws and regulations; federal anti-trust laws; tax laws and regulations and their possible reform; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous materials and wastes; and laws and regulations of the FTC, the FCC, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell, such as Boards of Pharmacy. The FDA, DEA and various states regulate the distribution of pharmaceuticals and controlled substances.

We are required to hold valid DEA, if we distribute controlled substances in the future, and state-level registrations and licenses, meet various security and operating standards and comply with the federal and various states' controlled substances acts and their accompanying regulations governing the sale, marketing, packaging, holding and distribution of controlled substances. The DEA, FDA and state regulatory authorities have broad enforcement powers, including the ability to suspend our registrations and licenses, seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

On January 30, 2023, the Biden Administration announced that it intends to end the COVID-19 national emergency and public health emergency by May 11, 2023. The termination of the public health emergency is expected to have significant impact on the health care industry, especially businesses that rely on COVID-19 related waivers and flexibilities promulgated by the government during the public health emergency. For example, after the termination of the public health emergency, prescriptions for a controlled substance via telemedicine may require a prior in-person medical evaluation. The DEA has also issued a proposed rule that, if finalized, would allow practitioners to prescribe a 30-day supply of Schedule III-V non-narcotic controlled medications and a 30-day supply of buprenorphine for the treatment of opioid use disorder without an in-person evaluation or referral from a medical practitioner who has conducted an in-person evaluation, provided that the prescription is otherwise consistent with any applicable federal and state laws.

In addition, our business interests outside of the United States are subject to the Foreign Corrupt Practices Act and other applicable domestic and international laws and regulations. We are also subject to the terms of various government agreements and mandates, including those described in the Government Regulation section. In that regard, our business, financial position and results of operations could be adversely affected by existing and new government legislative, regulatory action and enforcement activity, including, without limitation, any one or more of the following:

- the clinical quality, patient safety and other risks inherent in the dispensing, packaging and distribution of drugs and other health care products and services, including claims related to purported dispensing and other operational errors, and our failure to adhere to the laws and regulations applicable to the dispensing of drugs could subject us to civil and criminal penalties;
- federal and state anti-kickback and other laws that govern our relationship with drug manufacturers, customers and consumers;
- heightened enforcement of controlled substances regulations, if applicable;
- rules and regulations issued pursuant to HIPAA and the HITECH Act; and other federal and state laws affecting the collection, use, disclosure and transmission of health or other personal information, such as federal laws on information privacy precipitated by concerns about information collection through the Internet, state security breach laws and state laws limiting the use and disclosure of prescriber information;
- health care fraud and abuse laws regulations;
- health care reform, managed care reform and plan design legislation;
- laws against the corporate practice of medicine;
- FDA regulation affecting the pharmacy industry;
- ERISA and related regulations;

The scope of the practices and activities that are prohibited by federal and state false claims acts is uncertain and may be the subject of pending or future litigation. Claims under federal and state false claims acts can be brought by the government or by private individuals on behalf of the government through a qui tam or "whistleblower" suit. If we are convicted of fraud or other criminal conduct in the performance of a government program or if there is an adverse decision against it under the federal False Claims Act, it may be temporarily or permanently suspended from participating in government health care programs, and we also may be required to pay significant fines and/or other monetary

penalties. Whistleblower suits have resulted in significant settlements between governmental agencies and health care companies. The significant incentives and protections provided to whistleblowers under applicable law increase the risk of whistleblower suits.

If we fail to comply with laws and regulations that apply to government programs, we could be subject to criminal fines, civil penalties, premium refunds, prohibitions on marketing or active or passive enrollment of members, corrective actions, termination of our contracts or other sanctions which could have a material adverse effect on our operating results, cash flows and financial condition. Our businesses, profitability and growth also may be adversely affected by (i) judicial and regulatory decisions that change and/or expand the interpretations of existing statutes and regulations, impose medical or bad faith liability, or (ii) other legislation and regulations.

Pharmacies and pharmacists must obtain federal and state licenses to operate, distribute and dispense pharmaceuticals and controlled substances. If we are unable to obtain and maintain our licenses, meet certain security and operating standards or comply with acts and regulations covering among other things, the sale, distribution and dispensing of controlled substances, or if states place burdensome restrictions or limitations on non-resident pharmacies, either of the foregoing could limit or affect our ability to operate in some states. In addition, each state has different laws passed by state legislatures and rules approved by state pharmacy boards governing the operation, distribution and dispensing of pharmaceuticals and there is no universal federal or international regulation. This lack of uniform laws and rules makes the costs of compliance significant and makes a violation of state laws and rules by us more likely. Furthermore, the laws and rules relating to pharmacy technology are relatively new and evolving further adding to the cost of compliance and increasing our risk of noncompliance. Federal and state regulatory authorities have broad enforcement powers and are able to revoke licenses, seize or recall products and impose significant criminal, civil and administrative fines and sanctions for violations of such laws and regulations, any of which could have a material and adverse effect on our ability to do business.

Changes in healthcare regulatory environments may adversely affect our businesses.

Political, economic and regulatory influences are subjecting the healthcare industry to significant changes that could adversely affect our results of operations. In recent years, the healthcare industry has undergone significant changes in an effort to reduce costs and government spending. These changes include an increased reliance on managed care, cuts in certain Medicare and Medicaid funding in the United States and the funding of governmental payors in foreign jurisdictions, consolidation of competitors, suppliers and other market participants; and the development of large, sophisticated purchasing groups. We expect the healthcare industry to continue to change significantly in the future. Some of these potential changes, such as a reduction in governmental funding for certain healthcare services or adverse changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits, may cause customers to reduce the amount of our products and services they purchase or the price they are willing to pay for our products and services. We expect continued governmental and private payor pressure to reduce pharmaceutical pricing. Changes in pharmaceutical manufacturers' pricing or distribution policies could also significantly reduce our profitability.

In the United States, electoral results and changes in political leadership have generated uncertainty with respect to, and could result in, significant changes in legislation, regulation and government policy that could significantly impact our businesses and the health care and retail industries. There have been multiple attempts to repeal, modify or otherwise invalidate all, or certain provisions of the ACA, which was enacted in 2010 to provide health insurance coverage to millions of previously uninsured Americans through a combination of insurance market reforms, an expansion of Medicaid, subsidies and health insurance mandates. The ACA and related healthcare reform laws, regulations and initiatives have significantly increased regulation of managed care plans and decreased reimbursement to Medicare managed care. We cannot predict whether current or future efforts to modify these laws and/or adopt new healthcare legislation will be successful, nor can we predict the impact that such a development would have on our business and operating results. Future legislation or rulemaking or other regulatory actions or developments under the ACA or otherwise could adversely impact the number of Americans with health insurance and, consequently, prescription drug coverage, increase regulation of pharmacy services, result in changes to pharmacy reimbursement rates, and otherwise change the way we do business. We cannot predict the timing or impact of any future legislative, rulemaking or other regulatory actions, but any such actions could have a material adverse impact on our results of operations.

Other legislative changes have been proposed and adopted since the ACA was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, effective April 1, 2013, which, due to subsequent legislative amendments, will stay in effect through 2031, with the exception of a temporary suspension implemented under various COVID-19 relief legislation from May 1, 2020 through March 31, 2022, unless additional congressional action is taken. Under current legislation, the actual reduction in Medicare payments can vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester. Moreover, there has recently been heightened governmental scrutiny over the manner in which pharmaceutical manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to drug pricing, to reform government program reimbursement methodologies for pharmaceutical products, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing. Furthermore, there has been increased interest by third party

payors and governmental authorities in reference to pricing systems and publication of discounts and list prices, which may adversely affect our revenue and financial condition.

Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. The impact of these regulations and any future healthcare measures and agency rules implemented by the Biden administration on us and the pharmaceutical industry as a whole is currently unknown. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue or attain profitability. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Depending on the details of further executive, legislative and administrative actions, these measures as well as other proposals could have significant impacts for drug manufacturers, pharmacies, and providers, which may significantly and adversely affect the business of our customers as well as our ability to generate revenue and achieve profitability.

We cannot predict the enactment or content of new legislation or regulations or changes to existing laws or regulations or their enforcement, interpretation or application, or the effect they will have on our business operations or operating results. Examples of such changes include: the federal or one or more state governments fundamentally restructuring or reducing the funding available for Medicare, Medicaid, dual eligible or dual eligible special needs plan programs, increasing its involvement in drug reimbursement, pricing, purchasing and/or importation, changing the laws and regulations governing pharmacy benefit managers, prescription drug plans and/or managed care organizations' interactions with government funded health care programs, changing the tax treatment of health or related benefits, or significantly altering the ACA. The likelihood of adverse changes remains high due to state and federal budgetary pressures, and our businesses and operating results could be materially and adversely affected by such changes, even if we correctly predict their occurrence.

We are subject to governmental audits and reviews that could result in changes to our business practices and subject us to material refunds, fines, penalties, civil liabilities, criminal liabilities and other sanctions.

We are subject to governmental audits and reviews by various federal and state agencies, regulatory authorities, attorneys general, and other state, federal and international governmental authorities. The regulations and contractual requirements applicable to us and other industry participants are complex and subject to change, making it necessary for us to invest significant resources to comply with our regulatory and contractual requirements. Ongoing vigorous law enforcement and the highly technical regulatory scheme mean that our compliance efforts in this area will continue to require significant resources. If we are not in compliance with applicable laws, governmental audits, investigations and reviews by federal, state and international regulators could result in changes to our business practices, and also could result in significant or material premium refunds, fines, penalties, civil liabilities, criminal liabilities or other sanctions, including suspension or exclusion from participation in government programs and suspension or loss of licensure. Any of these audits, investigations or reviews could have a material adverse effect on our businesses, operating results, cash flows and/or financial condition or result in significant liabilities and negative publicity for us.

We must comply with a variety of existing and future laws and regulations that could impose substantial costs on us and may adversely affect our business.

The scope of foreign investments in U.S. businesses was recently expanded by the Foreign Investment Risk Review Modernization Act of 2018, or FIRRMA, to include certain non-passive, non-controlling investments (including certain investments in entities that hold or process personal information about U.S. nationals) and transactions structured or intended to evade or circumvent the jurisdiction of the Committee on Foreign Investment in the United States, or CFIUS, and any transaction resulting in a "change in the rights" of a foreign person in a U.S. business if that change could result in either control of the business or a covered non-controlling investment.

CFIUS could intervene in our previously completed fundraising rounds and require us to modify or amend the terms of those transactions, or terminate or unwind all or part of the transactions, if CFIUS determines that it is necessary to address U.S. national security concerns, without regard to whether the transaction was completed and operated in accordance with applicable law.

If relations between China and the U.S. or between Russia and the U.S. deteriorate, we may be materially and adversely affected.

Doing business internationally, such as any international supply chains that we or our suppliers or manufacturers may utilize or depend on, or sources of current or future capital, or those of our employees who are based in Canada, creates financial risks for our business. International operations entail a variety of other risks, including restrictions on foreign investors in us, enhanced oversight by CFIUS, and substantial restrictions on, and scrutiny of, foreign investment – especially Russian and Chinese investment. The relationship between the U.S. and certain other countries, including Russia and China, is subject to periodic tension, and now especially heightened concern in light of Russia's significant military actions against Ukraine. Relations may also be compromised or become more strained if the U.S pressures the PRC government regarding its monetary, economic, or social policies or if the U.S. continues to institute or increase sanctions against Russia due to ongoing conflict between Russian and Ukraine. Changes in political conditions, particularly in Russia or China, and changes in the state of China-U.S. or Russia-U.S. relations are difficult to predict and could adversely affect our operations or financial condition. Furthermore, CFIUS has continued to apply a more stringent review of certain foreign investment in U.S. companies, including investment by Chinese entities. We cannot predict what effect any changes in China-U.S. relations or Russia-U.S. relations may have on our ability to access capital or effectively support ourselves.

The impact of the military action in Ukraine has affected and may continue to affect our business.

On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is possible. The impact to Ukraine as well as actions taken by other countries, including new and stricter sanctions imposed by Canada, the United Kingdom, the European Union, the U.S. and other countries and companies and organizations against officials, individuals, regions, and industries in Russia and Ukraine, and actions taken by Russia in response to such sanctions, and each country's potential response to such sanctions, tensions, and military actions could have a material adverse effect on our operations. Any such material adverse effect from the conflict and enhanced sanctions activity may disrupt our supply chains and affect the delivery of our products and services, or impair our ability to complete financial or banking transactions.

Risks Related to Our Relationships with Manufacturers, Providers, Suppliers and Vendors

Both our and our vendors' operations are subject to a variety of business continuity hazards and risks, any of which could interrupt our operations or otherwise adversely affect our performance and operating results.

We and our vendors are subject to business continuity hazards and other risks, including natural disasters, utility and other mechanical failures, acts of war or terrorism, disruption of communications, data security and preservation, disruption of supply or distribution, safety regulation and labor difficulties. The occurrence of any of these or other events to us or our vendors might disrupt or shut down out operations or otherwise adversely affect our operations. We also may be subject to certain liability claims in the event of an injury or loss of life, or damage to property, resulting from such events. Although we have developed procedures for crisis management and disaster recovery and business continuity plans and maintain insurance policies that we believe are customary and adequate for our size and industry, our insurance policies include limits and exclusions and, as a result, our coverage may be insufficient to protect against all potential hazards and risks incident to our businesses. In addition, our crisis management and disaster recovery procedures and business continuity plans may not be effective. Should any such hazards or risks occur, or should our insurance coverage be inadequate or unavailable, our businesses, operating results, cash flows and financial condition could be adversely affected.

Interruptions or delays in shipments could cause our revenue for the applicable period to fall below expected levels.

We have been and could continue to be subject to manufacturing disruptions and supply chain delays, such as the current ongoing semiconductor chip shortage, or as a result of Russia's significant military actions against Ukraine. Such disruptions or delays place significant pressure on our supply chain management, manufacturing, inventory and quality control management, to ensure that we have properly forecasted supply purchasing, manufacturing capacity, inventory and quality compliance and logistics. A significant interruption in these critical functions could result in delayed kiosk deployment or resupply, adversely affect our business, financial condition, results of operations and prospects and result in a decline in the market price of our common stock.

We may outsource the manufacturing of our MedCenters to a third party.

We have historically relied on a single third party manufacturer to make our MedCenters. Our former manufacturer is no longer manufacturing the MedCenters. As there are challenges and risks associated with a manufacturers' ability to qualify and ramp a new manufacturing line, finding a suitable replacement third party manufacturer may take time, the alignment of demand of additional units may not align with the identification and engagement of a suitable third part manufacturer in time to meet demand, which may negatively impact our expected results. As a result, additional MedCenters may be delayed or stalled pending the qualification and ramping up of the new manufacturing line. Due to its restructuring the Company, and the recall of many of its units, the Company believes it currently has sufficient inventory of MedCenters to meet forecasted customer demand through 2024.

Risks Related to Our Intellectual Property

If we are unable to protect our intellectual property, we will suffer substantial harm.

Our success depends upon the protection of our software and hardware designs and other proprietary technology. We rely on a combination of patent, copyright, trademark and trade secret laws, and confidentiality provisions in agreements with employees, contract manufacturers, consultants, customers and other third parties, to protect our intellectual property rights. Other parties may not comply with the terms of their agreements with us, and we may not be able to enforce our rights adequately against these parties. In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology. If competitors are able to use our technology, our ability to compete effectively could be harmed. For example, if a competitor were to gain use of certain of our proprietary technology, they might be able to develop and manufacture similarly designed MedCenters at a reduced cost, which would result in a decrease in demand for our products. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims, and even if patents are issued, they may be contested, circumvented or invalidated over the course of our business. Moreover, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages, and, as with any technology, competitors may be able to develop and obtain patents for technologies that are similar to or superior to our technologies. If that happens, we may need to license these technologies and we may not be able to obtain licenses on reasonable terms, if at all, thereby causing great harm to our business. In addition, if we resort to legal proceedings to enforce our intellectual property rights, the proceedings could become burdensome and expensive, even if we were to prevail.

Claims by others that we infringe their intellectual property could cause us to suffer substantial harm.

Many companies have significant patent portfolios and these companies and other parties may claim that our products infringe their proprietary rights. We expect that infringement claims may increase as the number of products and competitors in our market increases and overlaps occur. In addition, to the extent that we gain greater visibility and market exposure as a public company, we face a higher risk of being the subject of intellectual property infringement claims. Any party asserting that our products infringe their proprietary rights would force us to defend ourselves, and possibly our customers, against the alleged infringement. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. Such may also force us to do one or more of the following:

- stop selling, incorporating or using our products that use the challenged intellectual property;
- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all;
- redesign those products that use any allegedly infringing technology, which may be costly and time-consuming; or
- refund deposits and other amounts received for allegedly infringing technology or products.

Any claim of infringement from a third party, even those without merit, could cause us to incur substantial costs defending against such claims, and could distract our management from running our business. Even if we prevail, the cost of such litigation could deplete our financial resources. Litigation is also time consuming and could divert management's attention and resources away from our business. Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could materially and adversely affect our business. Some of our competitors may be able to sustain the costs of complex intellectual property litigation more effectively than we can. In addition, any uncertainties resulting from the initiation and continuation of any litigation could significantly limit our ability to continue our operations.

Risks Related to Ownership of Our Securities

Our auditors identified a material weakness in our internal control over financial reporting as of December 31, 2022. If we are unable to remediate the material weakness and otherwise develop and maintain an effective system of internal controls and procedures required by Section 404(a) of the Sarbanes-Oxley Act, we may not be able to accurately report our financial results in a timely manner or may not be able to prevent or detect on a timely basis a material misstatement of our financial statements, which may adversely affect investor confidence in us and materially and adversely affect our stock price, business and operating results.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. As further disclosed in "Item 9A. Controls and Procedures" of this Annual Report on Form 10-K, management has identified a material weakness specifically relating to deficiencies in its internal controls over certain technical accounting matters, including the evaluation and analysis of accounting treatment for complex, non-standard transactions. Effective internal controls are necessary for us to provide reliable

financial reports and prevent fraud. We intend to take actions to remediate the material weakness related to our internal control process of review contributing to financial reporting. We intend to make improvements to the design of the related controls, including standardized review procedures over accounting treatment for complex, non-standard transactions. While these control deficiencies did not result in a misstatement to the consolidated financial statements, the material weakness could have resulted in a misstatement impacting account balances or disclosures that would have resulted in a material misstatement to the consolidated financial statements that would not have been prevented or detected on a timely basis.

Although we are implementing plans to remediate this material weakness, we cannot be certain of the success of the plans. These remediation measures may be time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects. In the future, management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements. If our remedial measures are insufficient to address the material weakness, or if one or more additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, or our disclosure controls and procedures are again determined to be ineffective, we may not be able to prevent or identify irregularities or ensure the fair and accurate presentation of our financial statements included in our periodic reports filed with the SEC and we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports or applicable stock exchange listing requirements. Additionally, the occurrence of, or failure to remediate, a material weakness and any future material weaknesses in our internal control over financial reporting or determination that our disclosure controls and procedures are ineffective, or the inability to comply with such timely filing of periodic reports or applicable stock exchange listing requirements, may have other consequences that could materially and adversely affect our business, including an adverse impact on the market price of our common stock, potential actions or investigations by the SEC or other regulatory authorities which may subject us to adverse regulatory consequences, shareholder lawsuits, a loss of investor confidence and damage to our reputation and the market price of our securities.

We may need to raise additional financing in the future to fund our operations, which may not be available to it on favorable terms or at all.

We may require substantial additional funds to continue to expand the core business, develop and commercialize our self-service pharmacy technology business. The amount of our future capital requirements will depend upon a number of factors, including: cost to manufacture additional MedCenters, development of our pharmacy technology business capabilities, expenses related to initiating operations in a new state or region, cost to hire pharmacy and corporate support staff, expenses related to leasing additional real estate space for pharmacy technology operations and or corporate services, cost of information technology infrastructure needed to support growth across new geographical markets, expenses for licensing technologies and other required legal, audit or outside services.

Raising additional capital may be costly or difficult to obtain and could significantly dilute stockholders' ownership interests or inhibit our ability to achieve our business objectives. The terms of any securities issued in public or private financings may include liquidation or other preferences that adversely affect the rights of our common stockholders, including liquidated damages in the event we are unable to register shares in a private placement or unable to maintain registration for such shares. Further, to the extent that we raise additional capital through the sale of common stock or securities convertible or exchangeable into common stock, our stockholders' ownership interest in us will be diluted.

In addition, any debt financing may subject us to fixed payment obligations and covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable intellectual property or other rights to our products, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable to us. Even if we were to obtain sufficient funding, there can be no assurance that we will be available on terms acceptable to us or our stockholders. We have experienced recurring net losses from operations, negative cash flows from operating activities, and a significant accumulated deficit and expect to continue to incur net losses into the foreseeable future.

The market price of our Common Stock is expected to be volatile, and the market price of the common stock may drop.

The market price of our Common Stock could be subject to significant fluctuations. Our common stock traded between $3.03 and $0.24 per share during the year ended December 31, 2022. Market prices for securities of early-stage telehealth, pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile. Some of the factors that may cause the market price of our Common Stock to fluctuate include:

- our ability to obtain state board of pharmacy licenses and regulatory approvals, and delays or failures to obtain and maintain such licenses approvals;
- failure of any of our products to achieve commercial success;
- the impact of the ongoing military conflict between Ukraine and Russia and its impact on the global and domestic economy;

- the impact of the COVID-19 pandemic and any other future pandemics on our business;
- our failure to maintain our existing third-party license and supply agreements;
- failure by us or our licensors to prosecute, maintain, or enforce our intellectual property rights;
- changes in laws or regulations applicable to us;
- any inability to obtain adequate supply of our products or the inability to do so at acceptable prices;
- adverse regulatory authority decisions;
- introduction of new products, services or technologies by our competitors;
- failure to meet or exceed financial and development projections we may provide to the public and the investment community;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements of significant acquisitions, strategic collaborations, joint ventures or capital commitments by us or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- additions or departures of key personnel;
- significant lawsuits, including patent or stockholder litigation;
- changes in the market valuations of similar companies;
- general market or macroeconomic conditions, including adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties;
- trading volume of our common stock;
- announcements by commercial partners or competitors of new commercial products, significant contracts, commercial relationships or capital commitments;
- adverse publicity generally, including with respect to other products and potential products in such markets;
- the introduction of technological innovations that compete with our potential products;
- changes in the structure of health care payment systems;
- period-to-period fluctuations in our financial results;
- investors' reactions to the prospects of our business; or
- changes in analysts' estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' estimates.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our Common Stock.

In the past, following periods of volatility in the market price of our securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

Our share price does not meet the minimum bid price for continued listing on Nasdaq. Our ability to continue operations or to publicly or privately sell equity securities and the liquidity of our common stock could be adversely affected if we do not regain compliance with the minimum bid price requirement and we are delisted from Nasdaq.

We received a deficiency letter from Nasdaq notifying us that for the last 30 consecutive business days the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule

5550(a)(2) (the "Bid Price Rule"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have 180 calendar days starting on October 31, 2022 or until May 1, 2023, to regain compliance with the Bid Price Rule. If, at any time before May 1, 2023, the bid price for our common stock closes at $1.00 or more for a minimum of 10 consecutive business days, we will regain compliance with the Bid Price Rule, unless the Nasdaq staff exercises its discretion to extend this 10-day period pursuant to Nasdaq listing rules. We have not regained compliance with Nasdaq Listing Rules as of the filing date of this Annual Report on Form 10-K.

If we do not regain compliance with Nasdaq Listing Rule 5550(a)(2) by May 1, 2023, we may be eligible for additional time to comply. To qualify, we will be required to meet certain continued listing requirements for market value of publicly held shares and all other initial listing standards for Nasdaq. If we meet these requirements, Nasdaq may grant us an additional 180 calendar days to regain compliance with the Bid Price Rule, and we may provide written notice to Nasdaq of our intention to cure the deficiency during the additional compliance period. One method to regain compliance in such circumstances would be to implement a reverse stock split, but there is no guarantee that a reverse stock split would be approved by the stockholders or that a reverse stock split would allow us to regain compliance with the Bid Price Rule, and such an action could result in an adverse effect on or negatively impact the price of our common stock.

If we do not regain compliance with the Bid Price Rule and are not eligible for or are not granted an additional compliance period, our common stock may be delisted. There can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the staff, such appeal would be successful. There can be no assurance that we will maintain compliance with the requirements for listing our common stock on Nasdaq.

Delisting could adversely affect our ability to raise additional capital through the public or private sale of equity securities, which would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock.

We and our stockholders could be materially adversely impacted if our common stock is delisted from Nasdaq. In particular:

- we may lose the confidence of our current or prospective third-party providers and collaboration partners, which could jeopardize our ability to enter into supply, manufacturing, licensing, and collaboration agreements and continue our business as currently conducted;
- we could be in a material breach under agreements we have with third parties, such as the Loan and Security Agreement between us and Silicon Valley Bank;
- the price of our common stock will likely decrease;
- stockholders may be unable to sell or purchase our common stock when they wish to do so;
- the potential loss of confidence by employees;
- we may lose the interest of institutional investors in our common stock;
- we may have fewer business development opportunities;
- we may lose media and analyst coverage;
- our common stock could be considered a "penny stock," which would likely limit the level of trading activity in the secondary market for our common stock; and
- we would likely lose the active trading market for our common stock, as it may only be traded on one of the over-the-counter markets, if at all.

We will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies.

We will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We will also incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act, as well as applicable securities laws and rules and regulations implemented by the SEC and Nasdaq. These rules and regulations are expected to increase our legal and financial compliance costs and to make some activities more time consuming and costly. For example, some members of our management team have not previously managed and operated a public company. These executive officers and other personnel will need to devote substantial time to gaining expertise regarding operations as a public company and compliance with applicable laws and regulations. These rules and regulations also may make it difficult and expensive for us to obtain directors' and officers' liability insurance. 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 our executive officers, which may adversely affect investor confidence in us and could cause our business or stock price to suffer.

Our certificate of incorporation and bylaws, Delaware law and/or our agreements with certain stockholders may impede the ability of our stockholders to make changes to our board of directors or impede a takeover.

Certain provisions of our certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law, or the DGCL, could make it difficult for stockholders to change the composition of the board of directors or discourage, delay, or prevent a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable. These provisions include the authorization of the issuance of "blank check" preferred stock that could be issued by the board of directors, limitations on the ability of stockholders to call special meetings, and advance notice requirements for nomination for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. As a Delaware corporation, we are subject to the provisions of Section 203 of the DGCL, which prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets, or business combinations with any stockholder or group of stockholders who own 15% or more of our common stock.

While these provisions will not make us immune from takeovers or changes in the composition of the board of directors, and are intended to protect our stockholders from, among other things, coercive or otherwise unfair tactics, these provisions could have the effect of making it difficult for stockholders to change the composition of the board of directors or discouraging, delaying, or preventing a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable.

There are a number of additional business risks that could materially and adversely affect our businesses and financial results.

Many other factors could materially and adversely affect our businesses and financial results, including:

- our ability to establish effective advertising, marketing and promotional programs;
- inflation, new or increased taxes, changes in market conditions or otherwise, including adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties;
- natural disasters, civil unrest, severe weather conditions, terrorist activities, global political and economic developments, war, health epidemics or pandemics or the prospect of these events;
- liabilities or expense relating to the protection of the environment, related health and safety matters, environmental remediation or compliance with environmental laws and regulations, including those governing exposure to, and the management and disposal of, hazardous substances;
- the long-term effects of climate change on general economic conditions and the pharmacy industry in particular, along with changes in the supply, demand or available sources of energy and the regulatory and other costs associated with energy production and delivery;
- adverse publicity and potential losses, liabilities and reputational harm stemming from any public incident, whether occurring online, in social media, in our stores or our other facilities, or elsewhere, involving us, our personnel or our brands, including any such public incident involving our customers, products, services, stores or other property, or those of any of our vendors or other parties with which we do business;
- negative publicity, even if unwarranted, related to safety or quality, human and workplace rights, or other issues damaging our brand image and corporate reputation, or that of any of our vendors or strategic allies; and
- technological innovation that changes delivery of healthcare resulting new modes of medication distribution.

The terms of our credit agreement require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

We entered into a senior secured term loan facility with Silicon Valley Bank, or SVB, on June 7, 2021, or the Loan and Security Agreement, pursuant to which we borrowed $10.0 million in aggregate initial term loans, or the Initial Loans. The Initial Loans are secured by substantially all of our assets, subject to certain exceptions. On February 10, 2023, we entered into the First Amendment, Consent and Default Waiver to Loan and Security Agreement, the "Loan Amendment and Consent", which amended the Loan and Security Agreement. On March 29, 2023, we entered into the Letter Agreement, (the "Letter Agreement") with each (a) each of Silicon Valley Bank, a Division of First-Citizens Bank & Trust Company (successor by purchase to the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) ("SVB"), in its capacity as administrative agent and collateral agent ("Agent"), (b) SVB, as a lender, and (c) SVB Innovation Credit Fund VIII, L.P., a Delaware limited partnership ("SVB Capital"), which further amended the Loan and Security Agreement. The Loan and Security Agreement, the Loan Amendments and Consents, and Letter Agreement, contain a number of restrictive

covenants, and the terms may restrict our current and future operations, particularly our ability to respond to certain changes in our business or industry, or take future actions. The Loan Amendments and Consents, and Letter Agreement provide a waiver of any event of default, including any failure of notice of default prior to the date of the agreements. As of and through the date of this report, foregoing any events of default noted above, we are in compliance with all terms and covenants of the above agreements. During the year ended December 31, 2022, and subsequently during February 2023, repayments of $5.0 million and of $3.4 million were made, respectively, to SVB, and we currently have $2.0 million in principal and a $120 thousand final payment outstanding.

The Loan and Security Agreement, the Loan Amendments and Consents, and the Letter Agreement include customary representations and covenants that, subject to exceptions and qualifications, restrict our ability to do the following things: engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; engage in businesses that are not related to our existing business; add or change business locations; incur additional indebtedness; incur additional liens; make loans and investments; declare dividends or redeem or repurchase equity interests; and make certain amendments or payments in respect of any subordinated debt. In addition, the Loan and Security Agreement and the Loan Amendments and Consents contain customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, maintenance of our bank accounts, protection of our intellectual property, reporting requirements, compliance with applicable laws and regulations, and formation or acquisition of new subsidiaries. The Loan and Security Agreement and the Loan Amendments and Consents also contain customary events of default. If we fail to comply with such covenants, payments or other terms of the Loan and Security Agreement, our lender could declare an event of default, which would give it the right to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, our lender would have the right to proceed against the assets we provided as collateral pursuant to the Loan and Security Agreement. If the debt under the Loan and Security Agreement was accelerated, we may not have sufficient cash or be able to sell sufficient assets to repay this debt, which would harm our business and financial condition.

As reported elsewhere, on March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver. While the situation remains fluid, we have been informed by SVB, or the Lenders, the facility remains available subject to the Lenders discretion on the same terms as set forth in the loan agreement, notwithstanding the closure of SVB, however there can be no assurances that the closure of SVB or any related impacts across the financial services industry will not adversely affect our ability to access any additional term loans that may be available under the Loan Agreement. Any amounts due under the Loan Agreement will remain payable to any successor lender(s). In light of the status of SVB and operational difficulties we have had in using SVB's cash management platform, we have considered and may consider in the future moving our bank accounts and cash resources to other financial institutions, which action could result in SVB declaring us to be in default under the Loan Agreement. For the year ended December 31, 2022, the through March 29, 2023, the Company obtained waivers through the Loan Amendments and Consents, and the Letter Agreement of any covenant non-compliance or defaults, and as of the date of this report we are in compliance with all covenants of our Loan Agreement.

We do not expect to pay any cash dividends in the foreseeable future.

We expect to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock is expected to be our stockholders' sole source of gain, if any, for the foreseeable future. In addition, the terms of the Loan Agreement restrict our ability to pay dividends to limited circumstances. 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.

An active trading market for our Common Stock may not develop and our stockholders may not be able to resell their shares of Common Stock for a profit, if at all.

An active trading market for our shares of Common Stock may never develop or be sustained. If an active market for our common stock does not develop or is not sustained, it may be difficult for our stockholders to sell their shares at an attractive price or at all.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after legal restrictions on resale, the trading price of our common stock could decline. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

If equity research analysts do not publish research or reports, or publish unfavorable research or reports, about us, our business or our market, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that equity research analysts publish about us and our business. Equity research analysts may elect not to provide research coverage of our common stock, and such lack of research coverage may adversely affect the market price of our common stock. In the event we do have equity research analyst coverage, we will not have any control

over the analysts, or the content and opinions included in their reports. The price of our common stock could decline if one or more equity research analysts downgrade our stock or issue other unfavorable commentary or research. If one or more equity research analysts ceases covering us or fails to publish reports on us regularly, demand for our common stock could decrease, which in turn could cause our stock price or trading volume to decline.

If we fail to attract and retain management and other key personnel, we may be unable to continue to successfully develop or commercialize our products or otherwise implement our business plan.

Our ability to compete in the highly competitive healthcare industry depends on our ability to attract and retain highly qualified managerial, pharmacy technology, legal, sales and marketing and other personnel. We will be highly dependent on our management and pharmacy personnel. The loss of the services of any of these individuals could impede, delay or prevent the successful development of our product pipeline or acquisition of new assets and could negatively impact our ability to successfully implement our business plan. If we lose the services of any of these individuals, we might not be able to find suitable replacements on a timely basis or at all, and our business could be harmed as a result. We might not be able to attract or retain qualified management and other key personnel in the future due to the intense competition for qualified personnel among telehealth, biotechnology, pharmaceutical and other businesses competing for talent.

We have undergone recent changes to our senior management team and if we are unable to integrate new members of our senior management team, or if we lose the services of any of our senior management or other key personnel, our business, operating results, and financial condition could be adversely affected.

In January, 2022, as part of a succession plan, Ed Kilroy, our Chief Executive Officer resigned and the Board of Directors appointed Mark Doerr as our Chief Executive Officer. In addition, over the last twelve months, we have had several senior management changes including the termination of Steven Hess as our Executive Vice President, General Manager, of SpotRx in February 2023, and Matt Broome, our Executive Vice President and General Manager of Technology, February 2023.

Any significant leadership change or senior management transition involves inherent risk and any failure to ensure the timely and suitable replacement and a smooth transition could hinder our strategic planning, business execution and future performance. In particular, this or any future leadership transition may result in a loss of personnel with deep institutional or technical knowledge and changes in business strategy or objectives, and has the potential to disrupt our operations and relationships with employees and customers due to added costs, operational inefficiencies, changes in strategy, decreased employee morale and productivity and increased turnover. We must successfully integrate our new leadership team members within our organization to achieve our operating objectives.

Our future success depends in large part on the continued service of senior management and other key personnel. In particular, we are highly dependent on the services of our senior management team, many of whom are critical to the development of our technology, platform, future vision, and strategic direction. We rely on our leadership team in the areas of operations, security, marketing, sales, support, and general and administrative functions, and on individual contributors on our research and development team. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives. If we lose the services of senior management or other key personnel, or if our senior management team cannot work together effectively, our business, operating results, and financial condition could be adversely affected.

We are a "smaller reporting company" and we cannot be certain if the reduced disclosure requirements applicable to us will make our common stock less attractive to investors.

As a smaller reporting company, we may take advantage of reduced disclosure requirements, such as simplified executive compensation disclosures and reduced financial statement disclosure requirements in our SEC filings. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze our results of operations and financial prospects. We cannot predict if investors will find our common stock less attractive if we rely on 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. We may take advantage of the reporting exemptions applicable to a smaller reporting company until we are no longer a smaller reporting company, which status would end once we have a public float greater than $250 million. In that event, however, we could still be a smaller reporting company if our annual revenues were below $100 million and we have a public float of less than $700 million.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease approximately 6,107 square feet for our corporate headquarters in Phoenix, Arizona, under a lease agreement which will expire in March 2027. We also lease approximately 16,460 square feet for our corporate office, development and storage facility located in Ontario, under a lease agreement which will expire in November 2023. We believe that these facilities are sufficient to meet our current and future needs and that additional space can be obtained on commercially reasonable terms as needed and in other locations as needed to support the business.

During the year ended December 31, 2022, we leased the locations listed below for our pharmacies prior to our exit from the retail pharmacy business. As of the date of this report we are under current obligations and lease terms, as follows, where applicable:

Central Pharmacy Location	Usage	Square Feet	Lease Termination
Phoenix, Arizona	Phoenix Home Pharmacy	7,504	12/31/2026
Tucson, Arizona	Tucson Home Pharmacy	1,565	7/31/2026
Buena Park, California [(1)]	Buena Park Home Pharmacy	2,700	Month to month
Laguna Hills, California	Laguna Hills Home Pharmacy	4,551	2/28/2025
San Fernando, California [(2)]	San Fernando Home Pharmacy	985	1/31/2023
Southfield, Michigan	Southfield Home Pharmacy	3,038	9/30/2025
Orlando, Florida	Orlando Home Pharmacy	2,091	7/31/2026
Torrance, California	Torrance Home Pharmacy	2,004	8/31/2024
Tampa, Florida	Tampa Home Pharmacy	2,600	5/31/2027

We additionally lease other facilities as follows:

Location	Usage	Square Feet	Lease Termination
Tucson, Arizona	Tucson Office Space	1,496	7/31/2026
Schiller Park, Illinois [(2)]	Field Service Location and M4 Storage	1,354	3/1/2023

(1) - Vacated in March 2023.
(2) - Vacated upon lease termination.

Item 3. Legal Proceedings

We are and, from time to time may in the future become, involved in legal proceedings, claims and litigation in the ordinary course of business. We have become subject to certain demands, and claims from former employees relating to the reduction in force we implemented in connection with the restructuring of the company and the disposition of our pharmacy services business. We intend to vigorously defend ourself against such pending and threatened actions. We cannot determine a reasonable estimate of the maximum possible loss or range of loss for pending or threatened matters given that they are at various stages of the litigation process and each case is subject to the inherent uncertainties of litigation. In management's opinion, based on currently available information, any potential loss resulting from the resolution of these matters is not expected to have a material adverse effect on our results of operations, financial position, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has been listed on the Nasdaq Capital Market under the symbol "MDVL" since November 18, 2020.

The following table sets forth on a per share basis, for the periods indicated, the low and high sale prices of our common stock as reported by the NASDAQ Capital Market.

	Dollars per Share	
Year Ended December 31, 2022	High	Low
	$ 3.03	$ 0.24

Holders of Common Stock

As of March 14, 2023, we had approximately 4,375 record holders of the common stock, and the closing price per share of our common stock was $0.33. Since many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item 5 regarding equity compensation plans is incorporated by reference from the information under the captions "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" that will be contained in our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

All sales of unregistered securities during the period covered by this Annual Report on Form 10-K were previously reported on the Company's Quarterly Reports on Form 10-Q and/or the Company's Current Reports on Form 8-K.

Item 6. [Reserved]

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the audited financial statements and related notes thereto included elsewhere in Item 8 of Part II of this Annual Report on Form 10-K. This discussion and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions, that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this Annual Report on Form 10-K entitled "Risk Factors."

Overview

Business Overview

We are a technology-enabled retail pharmacy technology and services company, we have developed and commercialized an innovative self-service pharmacy, mobile application, and kiosk. Through our full-stack pharmacy technology platform, and personal one-on-one service, we bring pharmacy-dispensing capability to the point of care, resulting in lower costs, higher patient satisfaction, improved medication adherence, and better health outcomes.

We offer a unique, pharmacy technology solution which is anchored around our core technology called the MedAvail MedCenter™, or the MedCenter. The MedCenter enables on-site pharmacy in medical clinics, retail store locations, employer sites with and without onsite clinics, and any other location where onsite prescription dispensing is desired. The MedCenter establishes an audio-visual connection to a live pharmacist enabling prescription drug dispensing to occur directly to a patient while still providing real-time supervision by a pharmacist. Although its technology platform has broad application, we are currently focused on serving high-value Medicare members in the United States of America, or U.S.

During the years ended December 31, 2022 and 2021, respectively, we deployed the MedCenter solution through two distinct commercialization channels. First, we owned and operated a full retail pharmacy business in the U.S. under the name SpotRx™, or SpotRx. The SpotRx pharmacy business was structured as a hub-and-spoke model where a central pharmacy supports and operates MedCenters embedded in medical clinics, usually in close proximity to the central pharmacy. The second commercialization channel is a direct 'sell-to' model, whereby we sell the MedCenter technology and subscriptions for the associated software directly to large healthcare providers and retailers for use within their own pharmacy operations.

On January 19, 2023, we announced our plan to exit the retail pharmacy services or the "Pharmacy Services Business" to focus on our Pharmacy Technology Segment. In connection with our exit from the Pharmacy Services Business, we hired a broker and negotiated the sale of certain related pharmacy assets. Our operations following the exit from the Pharmacy Services Business will consist solely of our Pharmacy Technology Segment. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

Currently, our primary and only commercialization channel is the direct 'sell-to' model, whereby we sell the MedCenter technology and subscriptions for the associated software directly to large healthcare providers and retailers for use within their own pharmacy operations.

The MedCenter works in tandem with our Remote Dispensing System®, or the Remote Dispensing System, which consists of customer-facing software for remote ordering of medications for pick-up at a MedCenter, or next day home delivery. Supporting its MedCenter and Remote Dispensing System is our back-end MedPlatform® Enterprise Software, or the MedPlatform Enterprise Software, which controls dispensing and MedCenter monitoring; and supporting Pharmacy Management System software, which allows connection to our supporting team of pharmacists and kiosk administrators.

Our kiosks come in two models: the M4 MedCenter and the M5 MedCenter. The M4 MedCenter is designed to fit in waiting rooms, hallways, and lobbies. The M5 MedCenter is a larger kiosk designed as a full pharmacy replacement with the ability to serve 3-4 customers simultaneously. It can also be configured for drive through dispensing, similar to bank ATM drive through lanes.

Traditional retail pharmacies are built around a physical store front. In order to dispense medication, these stores must have a pharmacist onsite for all hours of operation. Many pharmacies have reduced hours of operation based on customer purchasing patterns in order to contain labor cost, which results in further reduced consumer access. Furthermore, retail pharmacy wait times are typically 30 to 60 minutes or more, causing substantial delays for the consumer. During the COVID-19 pandemic, many people are looking to minimize the amount of physical contact that can lead to further disease contraction, especially for those most vulnerable, such as the elderly or those with compromised immune systems. Consequently, some patients are foregoing filling their prescribed medications, leading to declining health, increased healthcare costs and increased morbidity.

Outlook

Following our exit from the SpotRx pharmacy business our operations will solely consist of our pharmacy technology business. We expect pharmacy technology to support strong growth in 2023 over 2022. Further, pharmacy technology has historically attracted higher margins than the pharmacy services segment.

In connection with our exit from the Pharmacy Services Business, we initiated a reduction in force or the "Reduction", of approximately 75% of our full-time employees, effective January 18, 2023. The employees that were subject to the Reduction were primarily employees of our

Pharmacy Services Business. The purpose of the Reduction is to preserve capital with the goal of maximizing the opportunity available to us to pursue our Pharmacy Technology Segment.

On January 22, 2023, we entered into the Asset Purchase and Sale Agreement dated January 20, 2023 with German Dobson CVS, L.L.C., Garfield Beach CVS, L.L.C., Longs Drug Stores California, L.L.C., Woodward Detroit CVS, L.L.C. and Holiday CVS, L.L.C. or collectively, "CVS", pursuant to which we agreed to sell certain of our assets, including pharmacy records, inventory and other assets, in the SpotRx pharmacies located in Tucson and Phoenix, Arizona; Buena Park, Laguna Hills and San Fernando, California; Southfield, Michigan; and in Orlando and Tampa, Florida, for an aggregate purchase price of $2.6 million which was paid upon the closing date of the transaction, the "CVS Transaction", on February 9, 2023. Upon closing, the pharmacy records and inventory purchased by CVS were transferred from the SpotRx pharmacies to nearby CVS pharmacy locations. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

The actions undertaken by us in connection with exit of the Pharmacy Services Business are expected to result in annualized operating expense savings of approximately $35 million to $37 million, compared to the full year 2022. We may incur additional expenses not currently contemplated due to events associated with the exit of the Pharmacy Services Business. The charges that we expect to incur in connection with the exit of the Pharmacy Services Business are estimates and subject to a number of assumptions, and actual results may differ materially.

We sell our MedCenter Technology and license our software to pharmacy operators that support primary care clinics that are focused on Medicare Patients.

Components of Operating Results

Our fiscal year ends on December 31, and our fiscal quarters end on the last day of each third calendar month. The years ended December 31, 2022 and December 31, 2021 are referred to as 2022 and 2021.

We have never been profitable and we incurred operating losses in each year since inception. Net losses were $47.6 million and $43.8 million for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, we had an accumulated deficit of $239.7 million. Our operating losses resulted from expenses incurred for research and development programs, build out of retail pharmacy services operating footprint, and from general and administrative costs associated with operations.

We expect to incur additional expenses and operating losses for at least the next two years as we reorganize our operations, initiate and continue the technology development, and deployment of MedCenter technology. We expect that operating losses will lessen and turn positive as we execute our reorganization and growth strategies within our pharmacy technology segment.

As of December 31, 2022, we had cash and cash equivalents of $11.4 million. We will continue to require additional capital to continue technology development and commercialization activities. We expect to raise additional capital to continue funding operations. The amount and timing of future funding requirements will depend on many factors, including the pace and results of our growth strategy and capital market conditions. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on our financial condition and our ability to develop product candidates.

During the year ended December 31, 2022, and 2021, respectively, we had two reportable segments: Retail Pharmacy Services and Pharmacy Technology. These reportable segments are generally defined by how we executed our go-to-market strategy to sell products and services.

Overview of Retail Pharmacy Services Segment

The Retail Pharmacy Services operating segment operated as SpotRx, or the Pharmacy, a full-service retail pharmacy utilizing our automated pharmacy technology, primarily servicing Medicare patients in the United States. In operating SpotRx, we employed the pharmacy team, purchased the medications, and deployed our proprietary technology, the MedCenter, directly into the Medicare-focused clinics. This was an end-to-end turnkey solution.

As noted above, on January 19, 2023, we announced our plan to exit the retail pharmacy services or the "Pharmacy Services Business" to focus on our Pharmacy Technology Segment. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

Overview of Pharmacy Technology Segment

MedAvail Technologies develops and commercializes the MedCenter for direct sale or subscription to third-party customers, including some of the world's largest healthcare providers and systems, as well as large retail chains that provide full retail-pharmacy services using our technology.

Results of Operations

Revenue – Retail Pharmacy and Hardware, and Service

Retail pharmacy and hardware revenue

Retail pharmacy revenue from the Retail Pharmacy Services segment are derived from sales of prescription medications and over-the-counter products to patients. Medications are sold and delivered by various methods including dispensing product directly from the MedCenter, patient pick up at MedAvail's SpotRx pharmacy locations or home delivery of medications to patient residences. Hardware revenues from the Pharmacy Technology Segment are derived from either the sales or subscription of the MedCenter to customers.

Service revenue

Service revenue from the Pharmacy Technology Segment is derived from installation and support services.

Revenue

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Pharmacy and hardware revenue:		(in thousands)		
Retail pharmacy revenue	$ 41,747	$ 20,203	$ 21,544	107 %
Hardware	297	470	(173)	(37)%
Subscription revenue	424	446	(22)	(5)%
Total pharmacy and hardware revenue	42,468	21,119	21,349	101 %
Service revenue:				
Professional services and other	129	551	(422)	(77)%
Software	210	259	(49)	(19)%
Maintenance and support	170	161	9	6 %
Installation	132	39	93	238 %
Total service revenue	641	1,010	(369)	(37)%
Total revenue	$ 43,109	$ 22,129	$ 20,980	95 %

During the year ended December 31, 2022, pharmacy and hardware revenue increased $21.3 million to $42.5 million compared to the same period in 2021. The increase was due to volume growth of approximately $13.5 million related to maturation of area sales primarily in Arizona, California, and Michigan, and approximately $8.6 million in prescription revenue at existing sites, as well as growth from newly launched sites in Florida throughout 2021.

During the year ended December 31, 2022, service revenue decreased $0.4 million to $0.6 million compared to the same period in 2021.

Cost of products sold and services

Pharmacy and hardware cost of products sold

Cost of products sold consists primarily of prescription medications, other over-the-counter health products, and costs associated with MedCenters sold to third-party customers.

Service costs

Service costs consists primarily of costs incurred to install and maintain MedCenters at third-party customer locations.

Costs of Products and Services

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Retail pharmacy and hardware cost of products sold:		(in thousands)		
Prescription drugs	$ 36,960	$ 18,519	$ 18,441	100 %
Shipping	2,844	1,512	1,332	88 %
Hardware	282	1,116	(834)	(75)%
Depreciation	173	159	14	9 %
Total retail pharmacy and hardware cost of products sold	40,259	21,306	18,953	89 %
Service costs:				
Professional services	38	335	(297)	(89)%
Maintenance and support services	179	149	30	20 %
Installation services	48	22	26	118 %
Total service costs	265	506	(241)	(48)%
Total cost of products sold and services:	$ 40,524	$ 21,812	$ 18,712	86 %

During the year ended December 31, 2022, retail pharmacy and hardware cost of products sold increased $19.0 million to $40.3 million compared to the same period in 2021. The increase was primarily due to costs associated with volume growth related to maturation of sales in sites in Arizona, California, and Michigan and in prescription revenue at existing sites additional sites launched in 2021 in Florida, continuing into 2022. Shipping costs, related to our home delivery service via third-party courier, increased $1.3 million compared to the same period in 2021.

During the year ended December 31, 2022, service costs decreased $0.2 million to $0.3 million compared to the same period in 2021.

Pharmacy Operations

Pharmacy operations consist of costs incurred to operate retail pharmacies and our call center. Wages and salaries consist of compensation costs incurred for all pharmacy operations related employees and contractors including bonuses, health plans, severance, and contractor costs. Facility expenses consist of rent and utilities directly associated with our pharmacy operations.

Other pharmacy operations expenses consist of supply costs, and other costs.

Depreciation of property, plant and equipment includes depreciation on MedCenters, IT equipment, leasehold improvements, general plant and equipment, software, office furniture and equipment and vehicles. Amortization of intangible assets consists of amortization of mobile applications and software.

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Pharmacy operations expenses:		(in thousands)		
Wages and salaries	$ 9,902	$ 9,844	$ 58	1 %
Depreciation of property, plant and equipment	958	826	132	16 %
Rent and utilities	873	558	315	56 %
Repairs and maintenance	433	316	117	37 %
Amortization of intangible assets	2,450	578	1,872	324 %
Other pharmacy operations expenses	1,291	1,374	(83)	(6)%
Total pharmacy operations expenses	$ 15,907	$ 13,496	$ 2,411	18 %

During the year ended December 31, 2022, pharmacy operations operating expenses increased $2.4 million to $15.9 million compared to the same period in 2021. The increase was primarily due to increased amortization of intangible assets as a result of deploying internally developed software in our pharmacy operations and decreasing the remaining useful life resulting in an increased amortization of $1.9 million. Other increases resulted from increases in operating costs was primarily due to adding our Orlando central pharmacy location in Q4 2021, continuing into 2022.

General and Administrative

General and administrative expenses consist of personnel costs, facility expenses and expenses for outside professional services, including legal, audit and accounting services. Personnel costs consist of salaries, benefits and share-based compensation. Facility expenses consist of rent and other related costs specific to our corporate and technology activities. Corporate insurance, office supplies and technology expenses are also captured within general and administrative expenses. We incurred and expect to incur additional expenses as a result of being a public company, including expenses related to compliance with the rules and regulations of the SEC, Nasdaq, additional insurance, investor relations and other administrative expenses and professional services.

We have stock option and equity incentive plans whereby awards are granted to certain of our employees. The fair value of the stock options and restricted stock units granted by us to our employees is recognized as compensation expense on a straight-line basis over the applicable vesting period. We measure the fair value of the stock options using the Black-Scholes option pricing model as of the grant date. Shares issued upon the exercise of stock options and vesting of restricted stock units are new shares. We estimate forfeitures based on historical experience and expense related to awards is adjusted over the term of the awards to reflect their probability of vesting. All fully vested awards are expensed.

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
General and administrative expenses:		(in thousands)		
Wages and salaries	$ 11,803	$ 10,980	$ 823	7 %
Professional services	2,690	3,457	(767)	(22)%
Insurance	1,964	1,780	184	10 %
Rent and utilities	1,090	1,338	(248)	(19)%
Share-based compensation	2,296	1,205	1,091	91 %
Software licenses and support	1,482	1,179	303	26 %
Travel and other employee expenses	226	736	(510)	(69)%
Office and IT supplies	378	393	(15)	(4)%
Depreciation of property, plant and equipment	151	188	(37)	(20)%
Other general and administrative expenses	1,419	1,021	398	39 %
Total general and administrative expenses	$ 23,499	$ 22,277	$ 1,222	5 %

During the year ended December 31, 2022, general and administrative costs increased approximately $1.2 million to $23.5 million compared to the same period in 2021. This increase was primarily due to hiring of additional administrative staff and granting additional stock based compensation awards, partially offset by a reduction in professional services as we added and transitioned to internal resources.

Selling and Marketing

Selling and marketing expenses consist of personnel costs, marketing and advertising costs, and marketing related expenses for outside professional services. Wages and salaries consist of compensation costs incurred for all selling and marketing employees including our in-clinic customer account managers, and contractors including bonuses, health plans, and severance.

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Selling and marketing expenses:	(in thousands)			
Wages and salaries	$ 7,768	$ 6,238	$ 1,530	25 %
Marketing	305	523	(218)	(42)%
Travel and other employee expenses	384	403	(19)	(5)%
Other selling and marketing expenses	29	40	(11)	(28)%
Total selling and marketing expenses	$ 8,486	$ 7,204	$ 1,282	18 %

During the year ended December 31, 2022, selling and marketing costs increased approximately $1.3 million to $8.5 million compared to the same period in 2021. This increase was primarily due to personnel related costs associated with hiring additional Clinic Account Managers (CAMs) which directly support the staff and patients at the growing number of medical clinics where we are deployed.

Research and development

Research and development expenses represent costs incurred to develop and innovate our MedCenter platform technology, including development work on hardware, software and supporting information technology infrastructure. Wages and salaries consist of compensation costs incurred for research and development employees and contractors including bonuses, health plans, severance, and contractor costs.

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Research and development expenses:	(in thousands)			
Wages and salaries	$ 674	$ 664	$ 10	2 %
Other expenses	441	185	256	138 %
Total research and development expenses	$ 1,115	$ 849	$ 266	31 %

During the year ended December 31, 2022, research and development costs increased approximately $0.3 million, which is reasonably consistent with 2021.

Other gain (loss)

During the year ended December 31, 2022, there were no gain (loss) activity. During the year ended December 31, 2021, other gain (loss) primarily consisted of $0.2 million gain from PPP loan forgiveness.

Interest income and expense

During 2022 and 2021, the interest expense primarily consisted of accrued interest on outstanding debt that is payable monthly.

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
Interest income:	(in thousands)			
Interest income	2	79	$ (77)	(97)%
Total interest income	$ 2	$ 79	$ (77)	(97)%
Interest expense:				
Interest expense	(1,172)	(589)	(583)	(99)%
Total interest expense	$ (1,172)	$ (589)	$ (583)	99 %

During the year ended December 31, 2022, interest expense increased compared to the same period in 2021 due to a full year of interest expense incurred during the year ended December 31, 2022, compared to six moths of interest expense related to a a term loan entered into in June 2021. For more detail on outstanding debt and associated maturities, see Note 13 to our Annual Financial Statements presented elsewhere in this Annual Report on Form 10-K.

Income Tax

The Company has not recognized any income tax expense during the years ended December 31, 2022 and 2021. The Company continues to generate net income losses. Additionally, the Company continues to believe its deferred tax assets are not more-likely-than-not to be realized and a full valuation allowance remains recorded against net deferred taxes as of December 31, 2022 and 2021.

Liquidity and Capital Resources

Sources of Liquidity

Since inception through December 31, 2022, our operations have been financed primarily by net cash proceeds from the sale of stock from private placements, the sale of redeemable preferred stock and debt. As of December 31, 2022, we had $11.4 million in cash and cash equivalents and an accumulated deficit of $239.7 million.

In April 2022, we completed a private placement, pursuant to which we received $40.0 million in gross proceeds before deducting placement agent commissions and other offering expenses. An additional $10.0 million in gross proceeds closed on July 1, 2022. In connection with the private placement, we issued callable warrants in April 2022 and July 2022. The warrant call option is exercisable by us beginning on each of the 12-month and 24-month anniversaries of the warrant issuance dates and subject to the satisfaction of certain pricing conditions relating to the trading of our shares. If the warrants are exercised in full immediately after issuance by the Investors, we would receive additional gross proceeds of up to $29.4 million. If we exercise our call option immediately after issuance, then we could raise approximately $19.6 million in gross proceeds.

In June, 2021 we added to our liquidity resources through a senior secured term loan facility with Silicon Valley Bank or the Loan Agreement, pursuant to which we have borrowed $10.0 million in aggregate initial term loans. In December 2022, and February 2023, the Company made discretionary principal payments of $5.0 million and $3.4 million, respectively. The $3.4 million payment includes $0.4 million related to required final payments. The final payment requirement related to the $5.0 million was waived by SVB. For more detail on outstanding debt and associated maturities, see Note 13 and Note 21 to our Annual Financial Statements presented elsewhere in this Annual Report on Form 10-K.

On March 9, 2023, we closed a private placement (the “Offering”) of securities with certain institutional investors pursuant to the terms of a definitive securities purchase agreement. The Offering consists of pre-funded warrants to purchase common stock (the “Pre-Funded Warrants”) issued upon closing at a price of $0.3212 per underlying share and are exercisable into shares of common stock at an exercise price of $0.01 per share, as well as, Series A warrants to purchase common stock an exercise price of $0.385440 per share (the “Series A Warrants”) to be issued following stockholder approval of the Offering. The issuance of the Series A Warrants (including the underlying shares of common stock) and the portion of the Pre-Funded Warrants in excess of 19.99% of the shares of Common Stock outstanding prior to the Offering are subject to approval by the stockholders of MedAvail.

The Pre-Funded Warrant shares are exercisable for an aggregate of up to 49,813,198 shares of common stock, and the Series A Warrants would be exercisable for an aggregate of up to 49,813,198 shares of common stock. Upon close of the transaction MedAvail received gross proceeds from the Offering of approximately $16 million, before deducting offering expenses. The Company intends to use the net proceeds from this offering to fund one-time costs associated with restructuring, repay outstanding debt, and finance MedAvail’s growth initiatives related to its MedCenter technology business.

On March 10, 2023, Silicon Valley Bank (“SVB”), based in Santa Clara, California, was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. On March 10, 2023, the Federal Deposit Insurance Corporation (the “FDIC”) took control of Silicon Valley Bank (“SVB”) and created the National Bank of Santa Clara to hold the deposits of SVB after SVB was unable to continue their operations. SVB’s deposits are insured by the FDIC in amount up to $250 for any depositor and any deposit in excess of this insured amount could be lost. On March 12, 2023, the U.S. Treasury, Federal Reserve, and FDIC announced that SVB depositors will have access to all deposited funds starting March 13, 2023.

As of March 31, 2023, we had approximately $9.8 million on deposit with SVB and $9.7 million on deposit with another financial institution. We do not anticipate a material impact on our financial condition, operations or Loan and Security Agreement with SVB. We continue to monitor the circumstances surrounding SVB. As of the date of filing this Annual Report on Form 10-K, we have full access to and control over all our cash, cash equivalents across all financial institutions. On February 10, 2022 and March 29, 2023, the Company entered into the First Loan Amendment and Consent, and Letter Agreement, respectively, which provides waivers of any legal action or enforcement of rights and remedies with respect to the specified defaults enumerated therein, on and prior to February 10, 2023 and March 29, 2023. As of the date of this report, we are in compliance with all covenants under the terms of our Loan Agreement.

Management is continuously exploring additional sources of financing, the success of which is dependent on market conditions. In continued efforts to address negative impacts from the economy, including the ongoing uncertainty related to the negative impacts of the COVID-19 pandemic and the economic uncertainties related to the conflict in Ukraine resulting from the military actions of Russia, including on the global economy, interest rate fluctuations, inflationary pressures and our supply chain, management is looking to others financial strategies such a stock splits and warrant exercise should market conditions allow. Given our recent private placement and reduction in operating cost due to the disposition of our pharmacy services business, management believes there is no substantial doubt about our ability to continue as a going concern within 12 months from the date of issuance of the financial statements.

Furthermore, if we issue equity securities to raise additional funds, our existing stockholders may experience dilution, and the new equity securities may have rights, preferences and privileges senior to those of our existing stockholders. Failure to raise capital, however, as and when needed, on favorable terms or at all, would have a negative impact on our financial condition and our ability to develop our product candidates. Our management actively evaluates matters of liquidity and growth capital needs, including evaluating debt and equity as sources of growth capital with a focus on lower overall weighted average cost of capital and favorable financing terms. Our primary uses of liquidity are operating activities, capital expenditures, and lease payments.

Cash Flows

The following table summarizes our cash flows:

	Year Ended December 31,		2022 vs. 2021	
	2022	2021	Amount Change	% Change
	(in thousands)			
Cash used in operating activities	$ (47,664)	$ (42,519)	$ (5,145)	12 %
Cash used in investing activities	(2,274)	(3,314)	1,040	(31)%
Cash provided by financing activities	41,969	7,926	34,043	430 %
Net decrease in cash	$ (7,969)	$ (37,907)	$ 29,938	(79)%

Operating Activities

During the year ended December 31, 2022, cash used in operating activities increased $5.1 million to $47.7 million compared to the same period in 2021. The increase was primarily due to an increase in operating expenses from wages and salaries and costs attributable to the growth of our retail pharmacy operations in Arizona, California, and Michigan and launch in Florida, and operating as a public company.

Investing Activities

During the year ended December 31, 2022, cash used in investing activities decreased $1.0 million to $2.3 million compared to the same period in 2021. The decrease was primarily due to reduced investment in property, plant and equipment and intangible assets when compared to 2021.

Financing Activities

During the year ended December 31, 2022, cash provided by financing activities increased $34.0 million to $42.0 million compared to the same period in 2021. The increase was primarily due to issuance of common stock and warrants in April 2022 and July 2022 associated with the private placement of approximately $47.0 million, with no similar common stock nor warrant activity in 2021; and partially offset by $5.0 million principal payment on our term loan. This increase was partially offset by the 2021 proceeds from debt arrangements of $10.0 million, with no similar debt proceeds activity in 2022.

Capital Resources

In April 2022 and July 2022, in connection with the private placement, we issued callable warrants. On April 4, 2022, the first closing of the Private Placement occurred, we issued Warrants exercisable for up to 18.8 million Warrant Shares. A second and final closing occurred on July 1, 2022, and we issued additional Warrants exercisable for up to 4.7 million Warrants Shares.

The Warrants have a per share exercise price of $1.25 and are exercisable by the holder at any time after the issuance date of the Warrant for a period of five years. If the Warrants were exercised in full by the Investors at an exercise price of $1.25, the Company would receive additional gross proceeds of up to $29.4 million. Investors would more likely exercise their warrants when the market price of the Company’s shares is greater than the warrant exercise price of $1.25 or $2.50 for the 12 month and 24 month periods, and not likely to exercise their warrants when the market price is below the respective warrant exercise price.

In addition, the Warrant terms provide us with a call option to force the Warrant holders to exercise up to two-thirds of the warrant shares subject to each Warrant, with the lesser of one-third of all Warrant Shares, or unexercised shares, being callable beginning on each of the 12 month and 24 month anniversaries of the Warrant issuance dates, at an exercise price of $1.25 and $2.50 respectively, in each case until the expiration of the Warrants, and subject to the satisfaction of certain pricing conditions relating to the trading of the Company's shares. Were we to force and exercise the contingent call option of one-third of all Warrant Shares at an exercise price of $1.25 and $2.50 pursuant the 12 month and 24 month anniversary periods, we would receive approximately $9.8 million and $19.6 million, respectively, in gross proceeds. In order to force exercise the contingent options, on or following the 12 month or 24 month anniversaries of the Warrant issuance dates, the closing sale price of our stock must have been equal or greater than the $1.25 and $2.50 exercise price, respectively, for any 30 trading day period, subject to certain adjustments.

On June 7, 2021, we entered into the Loan Agreement, with Silicon Valley Bank and SVB Innovation Credit Fund VIII, L.P., pursuant to which we borrowed $10.0 million. The Loan Agreement matures on April 1, 2026. We made principal payments of $5.0 million in December 2022, and $3.0 million in February 2023. The remaining principal repayment will commence on May 1, 2024 in equal monthly installments of the outstanding Loan balance through the maturity date. Additionally, for the year ended December 31, 2022, and through March 29, 2023, the Company obtained a waiver of any covenant non-compliance or defaults from Silicon Valley Bank and SVB Innovation Credit Fund VIII, L.P. See Note 21 for further details related to the Company's debt terms and compliance with Loan Agreement covenants. For more detail on outstanding debt and associated maturities, see Note 13 and Note 21 to our Annual Financial Statements presented elsewhere in this Annual Report on Form 10-K.

Private Placement

On March 9, 2023, we entered into a Securities Purchase Agreement, or private placement (the "Offering") of securities with certain institutional investors, or the Investors. Pursuant to the terms of the Offering, we agreed to issue pre-funded warrants to purchase common stock (the "Pre-Funded Warrants") upon closing at a price of $0.3212 per underlying share, and are exercisable into shares of common stock at an exercise price of $0.001 per share. Additionally, we agreed to issue Series A warrants to purchase common stock an exercise price of $0.385440 per share (the "Series A Warrants"), to be issued following stockholder approval of the Offering. The issuance of the Series A Warrants, including the underlying shares of common stock and the portion of the Pre-Funded Warrants in excess of 19.99% of the shares of Common Stock outstanding prior to the Offering, are subject to approval by the stockholders of MedAvail.

The Pre-Funded Warrant shares are exercisable for an aggregate of up to 49,813,198 shares of common stock, and the Series A Warrants would be exercisable for an aggregate of up to 49,813,198 shares of common stock. Upon close of the transaction we would received gross proceeds from the Offering of approximately $16 million, before deducting offering expenses. We intend to use the net proceeds from this offering to fund one-time costs associated with restructuring, repay outstanding debt, and finance its growth initiatives related to its MedCenter technology business.

Contractual Obligations

The following table summarizes certain estimated future cash requirements under our various contractual obligations at December 31, 2022, in total and disaggregated into current and long-term obligations (in thousands):

Contractual obligations	Total	Current	Long term
Lease liabilities	$ 2,277	$ 708	$ 1,569
Long-term debt	4,798	—	4,798
Total contractual obligations	$ 7,075	$ 708	$ 6,367

Impact of Inflation

We continuously monitor the effects of inflationary factors, such as increases in cost of products sold and selling and operating expenses, which may adversely affect our results of operations. Specifically, we may experience inflationary pressure affecting the cost of the components for our MedCenters, the price of prescription drugs sold by our SpotRx pharmacy operations, and in the wages paid to our employees due to challenging labor market conditions. Competitive and regulatory conditions may restrict our ability to fully recover these costs through price increases. As a result, it may be difficult to fully offset the impact of persistent inflation. Our inability or failure to do so could have a material adverse effect on our business, financial condition and results of operations or cause us to need to obtain additional capital in future earlier than anticipated.

Critical Accounting 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 GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our consolidated financial statements and, therefore, we consider these to be our critical accounting estimates. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. Please refer to Note 4 in our consolidated financial statements included in Item 8 in this Annual Report on Form 10-K for information about these significant accounting policies, as well as a description of our other significant accounting policies.

Revenue Recognition

Pharmacy Services Segment

Revenue from the sale of pharmaceutical products is recorded net of variable consideration which includes an estimate of direct and indirect remuneration or DIR fees associated with prescription drugs dispensed. DIR fees are calculated by pharmacy benefit managers or PBMs after the sale is completed. The DIR fees under these arrangements are accounted for as variable consideration, estimated at the time of sale using the most likely amount method, and recognized as a reduction in revenue. The DIR fees reserve for such variable consideration included within accounts receivable amounted to $0.7 million for each of the years ended as of December 31, 2022 and 2021, respectively. Management determines the estimated DIR fees based on historical trends adjusted for product mix and PBM mix.

Pharmacy Technology Segment

MedPlatform sales agreements generally contain an agreement to provide a MedCenter prescription dispensing kiosk, and often include software, hardware and maintenance services which are necessary for the operation of the MedCenter, and can only be provided by us. To the extent an agreement includes multiple promised goods or services, we must apply judgment to determine whether the customer can benefit from the goods or services either on their own (distinct) or together with other resources that are readily available to the customer. If these criteria are not met, the promised services are accounted for as a single performance obligation.

The transaction price is determined based on the consideration that we will be entitled to in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price, generally utilizing the expected value method. During 2022 and 2021, none of our contracts included variable consideration. Determining the transaction price requires judgment. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price or SSP basis. We determine each SSP based on our history of selling such performance obligations as standalone goods or services. When no observable evidence exists, we estimate SSP using cost plus method. In cases where the cost plus method is used, we utilize all observable data points including, market and industry data points and our pricing practices to help establish the gross margin.

Right-of-Use Assets and Lease Liabilities

We determine if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease, renewal date of the lease or significant remodeling of the lease space based on the present value of the remaining future minimum lease payments. As the interest rate implicit in our leases is not readily determinable, we utilize our incremental borrowing rate, determined by class of underlying asset, to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and are reduced by lease incentives. We evaluate the recoverability of our right-of-use assets as described in “Long-Lived Asset Impairment” below.

The Company’s real estate leases typically contain options that permit renewals for additional periods of up to five years each. For real estate leases, the options to extend are not considered reasonably certain at lease commencement because we reevaluate each lease on a regular basis to consider the economic and strategic incentives of exercising the renewal options and may regularly change locations to align with our operating strategy. Generally, the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability. Similarly, renewal options are not included in the lease term for non-real estate leases because they are not considered reasonably certain of being exercised at lease commencement. Leases with an initial term of 12 months or less are not recorded on the balance sheets, and lease expense is recognized on a straight-line basis over the term of the short-term lease.

For real estate leases, we account for lease components and non-lease components as a single lease component. Certain real estate leases require additional payments for reimbursement of real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs.

Long-Lived Asset Impairment

We evaluate the recoverability of long-lived assets, whenever events or changes in circumstances indicate that the carrying value of such an asset may not be recoverable. We group and evaluate these long-lived assets for impairment at the lowest level at which individual cash flows can be identified. If indicators of impairment are present, we first compare the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group's estimated future cash flows (discounted). If required, an impairment loss is recorded for the portion of the asset group's carrying value that exceeds the asset group's estimated future cash flows (discounted).

The long-lived asset impairment loss calculation contains uncertainty since management must use judgment to estimate each asset group's future revenue, profitability and cash flows. When preparing these estimates, we consider historical results and current operating trends and consolidated revenue, profitability and cash flow results and forecasts. These estimates can be affected by a number of factors including general economic and regulatory conditions, efforts of third party organizations to reduce their prescription drug costs and/or increased member co-payments, the continued efforts of competitors to gain market share and consumer spending patterns.

New Accounting Pronouncements

See Note 5, Recent Accounting Pronouncements included in Item 8 of this 10-K for a description of new accounting pronouncements applicable to the Company.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

MEDAVAIL HOLDINGS, INC.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of MedAvail Holdings, Inc., for the years ended December 31, 2022 and 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of MedAvail Holdings, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of MedAvail Holdings, Inc. (the "Company") as of December 31, 2022, the related consolidated statement of operations and comprehensive loss, shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively 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 the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 audit. 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 audit 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 audit 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 audit 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 audit 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 audit provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for Complex Financing Transactions – Warrants Issued with Common Stock

As described in Note 19 to the financial statements, the Company issued common stock with warrants during the year ended December 31, 2022.

We identified the accounting for this complex financing transaction as a critical audit matter. This includes the evaluation of various provisions of the warrants that would require the warrants to be classified as liabilities and recorded at fair value at the end of each reporting period, as well as and the determination of the relative fair values of the instruments.

The application of the accounting guidance applicable to the transactions is complex, and therefore, applying such guidance to the contract terms is complex and requires significant management judgment. Auditing these elements involved especially complex auditor judgment due to the nature of the terms of these instruments, and the effort required to address these matters, including the extent of specialized skills and knowledge required.

How We Addressed the Matter in Our Audit

Addressing this matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included, among others:

- Inspecting the agreements associated with the transactions and evaluating the completeness and accuracy of the Company's technical accounting analysis, including the identification of potential embedded derivatives, and the application of the relevant accounting literature.
- Utilizing personnel with specialized knowledge and skills in technical accounting matters and in the determination of fair valuation to assist in assessing management's analysis of the transactions, including (i) evaluating the contracts to identify relevant terms that affect the recognition of the financial instruments in the consolidated financial statements, and (ii) assessing the appropriateness of conclusions reached by management.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2022.

San Diego, California

April 14, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of MedAvail Holdings, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheet of MedAvail Holdings, Inc. and its subsidiaries (together, the Company) as of December 31, 2021 and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Substantial doubt about the Company's ability to continue as a going concern
The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements included in Item 8 of Form 10-K for the year ended December 31, 2021, the Company suffered recurring losses from operations and had 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 consolidated financial statements included in Item 8 of Form 10-K for the year ended December 31, 2021 do not include any adjustments that might result from the outcome of this uncertainty.

Basis for opinion
These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. 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 audit of these consolidated financial statements 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 consolidated 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 audit 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 audit included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

Oakville, Canada
March 29, 2022

We served as the Company’s auditor from 2012 to 2022.

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
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MEDAVAIL HOLDINGS, INC.
Consolidated Balance Sheets
(in thousands, except share and per-share amounts)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 11,444	$ 19,689
Restricted cash	676	400
Accounts receivable (net of allowance for doubtful accounts of $239 thousand for 2022 and $66 thousand for 2021)	2,209	1,189
Inventories	6,937	3,916
Prepaid expenses and other current assets	2,663	2,191
Total current assets	23,929	27,385
Property, plant and equipment, net	6,455	5,692
Intangible assets, net	465	2,300
Right-of-use assets	2,085	2,538
Other assets	198	228
Total assets	$ 33,132	$ 38,143
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 1,675	$ 2,477
Accrued liabilities	1,193	1,530
Accrued payroll and benefits	2,213	2,733
Deferred revenue	152	83
Current portion of lease obligations	708	682
Total current liabilities	5,941	7,505
Long-term debt, net	4,798	9,538
Long-term portion of lease obligations	1,569	2,027
Total liabilities	12,308	19,070
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common shares ($0.001 par value, 300,000,000 and 100,000,000 shares authorized, 81,169,719 and 32,902,048 shares issued and outstanding at December 31, 2022 and 2021, respectively)	81	33
Warrants	11,148	1,373
Additional paid-in-capital	256,229	216,685
Accumulated other comprehensive loss	(6,928)	(6,928)
Accumulated deficit	(239,706)	(192,090)
Total shareholders' equity	20,824	19,073
Total liabilities and shareholders' equity	$ 33,132	$ 38,143

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

MEDAVAIL HOLDINGS, INC.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per-share amounts)

	Year Ended December 31,	
	2022	2021
Revenue:		
Pharmacy and hardware revenue	$ 42,468	$ 21,119
Service revenue	641	1,010
Total revenue	43,109	22,129
Cost of products sold and services:		
Pharmacy and hardware cost of products sold	40,259	21,306
Service costs	265	506
Total cost of products sold and services	40,524	21,812
Operating expense:		
Pharmacy operations	15,907	13,496
General and administrative	23,499	22,277
Selling and marketing	8,486	7,204
Research and development	1,115	849
Total operating expense	49,007	43,826
Operating loss	(46,422)	(43,509)
Other gain (loss), net	—	206
Interest income	2	79
Interest expense	(1,172)	(589)
Loss before income taxes	(47,592)	(43,813)
Income tax expense	(24)	(2)
Net loss and comprehensive loss	$ (47,616)	$ (43,815)
Net loss per share - basic and diluted	$ (0.72)	$ (1.34)
Weighted average shares outstanding - basic and diluted	65,776,384	32,656,325

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

MEDAVAIL HOLDINGS, INC.
Consolidated Statements of Shareholders' Equity
(in thousands, except shares)

	Common Shares [1]						
	Shares	Amount	Warrants	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2020	31,816,020	$ 32	$ 2,614	$ 213,624	$ (148,275)	$ (6,928)	$ 61,067
Net loss	—	—	—	—	(43,815)	—	(43,815)
Exercise of warrants	794,804	1	(1,241)	1,391	—	—	151
Shares issued for options exercises	248,485	—	—	393	—	—	393
Share-based compensation	—	—	—	1,205	—	—	1,205
Shares issued for ESPP	42,739	—	—	72	—	—	72
Balance at December 31, 2021	32,902,048	$ 33	$ 1,373	$ 216,685	$ (192,090)	$ (6,928)	$ 19,073
Net loss	—	—	—		(47,616)	—	(47,616)
Issuance of common shares with private placement (Note 19)	47,058,820	48	—	46,914	—	—	46,962
Issuance of warrants	—	—	9,775	(9,775)	—	—	—
Shares issued for vested restricted stock units	89,237	—	—	—	—	—	—
Shares issued for options exercises	6,874	—	—	—	—	—	—
Shares issued for ESPP	112,740	—	—	109	—	—	109
Share-based compensation	—	—	—	2,296	—	—	2,296
Balance at December 31, 2022	80,169,719	$ 81	$ 11,148	$ 256,229	$ (239,706)	$ (6,928)	$ 20,824

[1] Preferred shares ($0.001 par value), 10,000,000 shares authorized with zero issued and outstanding at December 31, 2022 and 2021.

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

MEDAVAIL HOLDINGS, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (47,616)	$ (43,815)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant, and equipment	1,214	1,174
Amortization of intangible and leased assets	3,441	1,403
Bad debt and other non-cash receivables adjustments	173	83
Term loan discount amortization and interest accretion on debt	260	162
Impairment of lease asset	(27)	—
Share-based compensation expense	2,296	1,205
Provisions for inventory	—	626
PPP loan forgiveness gain	—	(161)
Changes in operating assets and liabilities:		
Accounts receivable	(1,193)	248
Inventory	(4,222)	(3,542)
Prepaid expenses and other assets	(472)	(657)
Accounts payable	(483)	891
Accrued liabilities	25	739
Accrued payroll and benefits liabilities	(520)	(27)
Deferred revenue	69	(192)
Operating lease liability due to cash payments	(609)	(656)
Net cash used in operating activities	(47,664)	(42,519)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,216)	(841)
Purchase of intangible and other assets	(1,088)	(2,448)
Refund (payment) of security deposits	30	(25)
Net cash used in investing activities	(2,274)	(3,314)
Net cash flows from financing activities:		
Proceeds from issuance of common shares and warrants with private placement	46,962	—
Proceeds from issuance of common shares upon exercise of options and warrants, and ESPP	109	616
Proceeds from debt	—	10,000
Payment of debt issuance costs	—	(624)
Repayment of debt	(5,000)	(2,000)
Payments on financing lease obligations	(102)	(66)
Net cash provided by financing activities	41,969	7,926
Net decrease in cash, cash equivalents, and restricted cash	(7,969)	(37,907)
Cash, cash equivalents, and restricted cash at beginning of period	20,089	57,996
Cash, cash equivalents, and restricted cash at end of period	$ 12,120	$ 20,089

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

MEDAVAIL HOLDINGS, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2022	**2021**
Supplemental cash flow information:		
Cash paid for interest	$ 877	$ 366
Supplemental noncash investing and financing activities:		
Inventory transferred to property, plant and equipment	$ 1,201	$ 1,817
Property, plant and equipment transferred to intangible assets	$ —	$ 42
Purchases of intangible assets in accounts payable	$ —	$ 241
Purchases of property, plant and equipment in accounts payable and accrued liabilities	$ 15	$ 455
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ 206	$ 2,179
Finance leases	$ 73	$ 97

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

MEDAVAIL HOLDINGS, INC.

Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF OPERATIONS

MedAvail Holdings, Inc., or MedAvail, or the Company, a Delaware corporation, is a pharmacy technology and services company that has developed and commercialized an innovative self-service pharmacy, mobile application, and kiosk. The Company's principal technology and product is the MedCenter, a pharmacist controlled, customer-interactive, prescription dispensing system akin to a "pharmacy in a box" or prescription-dispensing ATM. The MedCenter facilitates live pharmacist counseling via two-way audio-video communication with the ability to dispense prescription medicines under pharmacist control. The Company also operates SpotRx, or the Pharmacy, a full-service retail pharmacy utilizing the Company's automated pharmacy technology.

Exit of Pharmacy Services and SpotRx

On January 19, 2023, the Company announced a plan to exit the pharmacy services business to focus on our pharmacy technology business. Following the exit from the pharmacy services business the Company consists solely of the pharmacy technology business. In connection with the exit from the pharmacy services business, to focus on the pharmacy technology business, the Company initiated a reduction in force or the Reduction, in which approximately 75% of the Company's full-time employees were immediately terminated, effective January 18, 2023. The employees that were subject to the Reduction were employees of the pharmacy services business. The purpose of the Reduction is to preserve capital with the goal of maximizing the opportunity available to pursue the pharmacy technology business.

The Company entered into an Asset Purchase and Sale Agreement dated January 20, 2023, as amended, with German Dobson CVS, L.L.C., Garfield Beach CVS, L.L.C., Longs Drug Stores California, L.L.C., Woodward Detroit CVS, L.L.C. and Holiday CVS, L.L.C. or collectively CVS, pursuant to which the Company agreed to sell certain assets, including pharmacy records, and inventory from SpotRx pharmacies located in Tucson and Phoenix, Arizona; Buena Park, Laguna Hills and San Fernando, California; Southfield, Michigan; and in Orlando and Tampa, Florida. The transaction closed on February 9, 2023, for a final purchase price of $2.9 million (subject to $0.1 million fees and a $0.2 million holdback). Upon closing, the pharmacy records and inventory purchased by CVS were transferred from the SpotRx pharmacies to nearby CVS pharmacy locations. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

For the year ended December 31, 2022, the pharmacy services business comprises approximately 97% of the Company's total revenues. As of December 31, 2022, inventory from SpotRx pharmacies comprised approximately $3.0 million, or 9%, of total consolidated assets. Pharmacy service business assets, other than inventory amounts discussed above, are expected to be primarily reabsorbed or settled, or to a lesser extent, sold or abandoned. See Note 20 for further details related to the Company's revenue and assets attributed to the Company's pharmacy services business.

NOTE 2 - LIQUIDITY

The consolidated financial statements for the years ended December 31, 2022 and 2021 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be required to liquidate its assets.

As of December 31, 2022, the Company had $11.4 million in cash and cash equivalents and an accumulated deficit of $239.7 million. Furthermore, net cash used in operating activities for the years ended December 31, 2022 and 2021 was $47.7 million and $42.5 million, respectively. Since inception through December 31, 2022, the Company continually incurred losses from its operations which have been financed primarily by net cash proceeds from the sale of stock from private placements, the sale of redeemable preferred stock and debt.

Relevant accounting standards require that management make a determination as to whether or not substantial doubt exists as to the Company's ability to continue as a going concern. If substantial doubt does exist management should determine if there are plans in place which alleviate that doubt. The Company had previously identified substantial doubt as to the Company's ability to continue as a going concern in the prior year as of March 29, 2022. Given, however, its recent private placement as described herein, and the reduction in operation cost resulting from its disposition of assets, the Company's management determined given ongoing cash requirements to fund operations, the Company has sufficient financial resources to continue operations through the date of this report and one year from the date of the financial statement issuance date, with no substantial doubt as to the Company's ability to continue as a going concern going forward.

On March 9, 2023, the Company entered into a Securities Purchase Agreement, or private placement (the "Offering"), of securities with certain institutional investors, or the Investors. Upon close of the transaction the Company received gross proceeds from the Offering of approximately $16 million, before deducting offering expenses. The Company intends to use the net proceeds from this offering to fund one-time costs

associated with restructuring, repay outstanding debt, and finance its growth initiatives related to its MedCenter technology business. Pursuant to the terms of the Offering, the Company agreed to issue pre-funded warrants to purchase common stock (the "Pre-Funded Warrants") and Series A warrants to purchase common stock (the "Series A Warrants"), to be issued following stockholder approval of the Offering. See note 21 for further information regarding the private placement if securities issued on March 9, 2023.

In April 2022, the Company completed a private placement, pursuant to which the Company received $40.0 million in gross proceeds, with an additional $10.0 million in gross proceeds received upon the second close that occurred on July 1, 2022, before deducting placement agent commissions and other offering expenses totaling $3.0 million. Additionally, the private placement included warrants, some of which may be callable at the Company's option beginning on each of the 12 month and 24 month anniversaries of the warrant issuance dates and subject to the satisfaction of certain pricing conditions relating to the trading of the Company's shares. See Note 19 for further information regarding the private placement warrants.

The Company added to its liquidity resources in 2021 through a senior secured term loan facility with Silicon Valley Bank, or SVB, as described in Note 13, pursuant to which we borrowed $10.0 million in aggregate initial term loans. See Note 13 for further information regarding the Company's senior secured term loan facility and Note 21 related to subsequent events related to SVB and amounts borrowed.

NOTE 3 - BASIS OF PRESENTATION

Basis of Presentation

The consolidated financial statements include the accounts of all subsidiaries of the Company with intercompany transactions and balances eliminated on consolidation. All of the Company's subsidiaries are wholly owned. These consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles ("U.S. GAAP") on a basis consistent for all periods presented.

The preparation of financial statements in accordance with U.S. GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. Actual results could differ from those estimates. Estimates are used in accounting for, among other things, revenue recognition, contract loss accruals, excess, slow-moving and obsolete inventories, product warranty accruals, loss accruals on service agreements, share-based compensation expense, allowance for doubtful accounts, depreciation and amortization and in-process research and development intangible assets, impairment of long-lived assets; and contingencies. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed to be necessary.

Fiscal years ended December 31, 2022 and December 31, 2021, respectively, may be referred to as 2022 and 2021.

Amounts presented in these consolidated financial statements are in United States dollars unless otherwise indicated.

Our critical accounting policies are those that are both most important to our financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our accounting policies are set forth in Note 4, Significant Accounting Policies.

Risks and Uncertainties relating to COVID-19

The Company bases its estimates on the information available at the time, its experiences and various other assumptions believed to be reasonable under the circumstances including estimates of the impact of COVID-19. The extent to which COVID-19 impacts the Company's business and financial results will depend on numerous evolving factors, including but not limited to, the severity and duration of COVID-19, the extent to which it will impact our clinic customers, employees, suppliers, vendors, and business partners. The Company assessed certain accounting matters that require consideration of estimates and assumptions in context with the information reasonably available to the Company and known and unknown impacts of COVID-19 as of December 31, 2022 and through the date of this report. The accounting matters assessed included, but were not limited to, the recoverability of the Company's, PPE and intangible assets, net realizable value of inventory, and recoverability of right-of-use operating lease assets. The Company is not aware of any events or existing circumstances which would require it to update its estimates, judgments, or revise the carrying value of its assets or liabilities.

Principles of consolidation

The consolidated financial statements include the accounts of all entities controlled by MedAvail Holdings, Inc., which are referred to as subsidiaries. MedAvail Technologies Inc., MedAvail Technologies (US) Inc., MedAvail Pharmacy Inc., and MedAvail, Inc. are all subsidiaries of the Company. The Company has no interests in variable interest entities of which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company classifies all highly liquid instruments with an original maturity of three months or less as cash equivalents. The Company's cash and cash equivalents generally include funds held in checking and savings accounts at large American and Canadian financial institutions and denominated in U.S. Dollars and Canadian Dollars.

Restricted Cash

The Company considers cash to be restricted when withdrawal or general use is legally restricted. During the years ended December 31, 2022 and December 31, 2021, pursuant to a Loan and Security Agreement with Silicon Valley Bank, See Note 13, we issued letters of credit to secure certain operating leases, and we are required to maintain a $0.7 million and $0.4 million, respectively, with the bank to secure the outstanding letters of credit. Due to the nature of the deposits, the balances were classified as restricted cash. Restricted cash was included in the balance for cash presented in the statements of cash flows.

Accounts Receivable

Accounts receivable are primarily comprised of trade receivables presented net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on its assessment of the collectability of amounts owed by customers. The allowance consists of known specific troubled accounts as well as an amount based on overall estimated potential uncollectible accounts receivable based on historical experience. At December 31, 2022 and 2021, the allowance for doubtful accounts had a balance of $0.2 million and $0.1 million, respectively.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist primarily of prepaid amounts for insurance, rent and general operating expenses.

Research and Development

Research and development expenses represent costs incurred to internally develop and innovate the MedCenter platform technology, including research and development on the MedCenter hardware, and related software and supporting information technology infrastructure. Wages and salaries consist of compensation costs incurred for research and development employees and contractors including bonuses, health plans, severance, and contractor costs. The Company does not incur research and development for others or provided such services to external parties. When research and development costs are incurred to develop hardware, the costs are expensed until technological feasibility is achieved, at which point the costs are capitalized.

Software

Software development costs are accrued and expensed based on ASC 985 or ASC 350 for external and internal use software, respectively. External use software includes software costs for applications that the Company intends to sell or lease (in conjunction with related hardware). Internal use software includes software costs for applications that are used internally. Any software development costs that are incurred prior to the point where the project has demonstrated technological feasibility are expensed as they are incurred. Once technological feasibility has been established, development costs are capitalized. Once development is complete and the software is made available for release to customers, capitalization is no longer appropriate because any remaining costs are considered ongoing maintenance and support. These are expensed as they are incurred. The definition of "technological feasibility", per ASC 985 or ASC 350, is "the technological feasibility of a computer software product is established when the entity has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements." Software development costs are subject to these rules regardless of whether the costs were generated internally (employee time) or externally (vendor fees).

Foreign Currency Translation

The functional currency for all our subsidiaries is the U.S. dollar. Gains and losses resulting from the remeasurement of foreign currency amounts to the functional currency are included in operating expenses in the consolidated statements of comprehensive loss. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in foreign currency translation adjustment in the consolidated statements of operations and comprehensive loss.

Pharmacy Technology Revenue Recognition

The Company accounts for revenue under Accounting Standards Codification, or ASC, Topic 606: Revenue from Contracts with Customers, or Topic 606. The amount of revenue recognized for any goods or services reflects the consideration that the Company expects to be entitled to receive in exchange for those goods and services. To achieve this core principle, the Company applies the following five-step approach: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as a performance obligation is satisfied.

A contract is accounted for when approved by both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Performance obligations under a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct and are distinct in the context of the contract. In certain instances, the Company concluded that distinct goods or services should be accounted for as a single performance obligation that is a series of distinct goods or services that have the same pattern of transfer to the customer.

The transaction price is determined based on the consideration that the Company will be entitled to in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price, utilizing the expected value method. During 2022 and 2021, none of our pharmacy technology contracts included variable consideration. Determining the transaction price requires judgment.

The Company must also determine if the promises to transfer the goods or services to the customer are separately identifiable from other promises in the contract (the goods or services are distinct in the context of the contract). If these criteria are not met, the promised services are accounted for as a single performance obligation.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (SSP) basis. We determine each SSP based on the Company's history of selling such performance obligations as standalone goods or services. When no observable evidence exists, we estimate SSP using cost-plus method. In cases where the cost-plus method is used, to establish the gross margins we utilize all observable data points including, market and industry data points and the Company's pricing practices.

Subscription Revenue

The Company provides MedCenter units to customers on a contract that includes software license and maintenance services or a Subscription Agreement. Subscription Agreements include operating leases for the MedCenter units with a non-cancelable term of 12 months or less, and are recorded following lessor guidance for operating leases. MedCenters leased to customers are carried on the Company's consolidated balance sheets as MedCenter equipment and depreciated. For the years ended December 31, 2022 and 2021, subscription revenue was $0.4 million for both periods, respectively, within the pharmacy and hardware revenue on the consolidated statements of operations and comprehensive loss.

MedCenter Revenue

The Company derives revenue from the sale of MedPlatform Systems, which include MedCenter prescription dispensing kiosks, and the associated installation, software, maintenance and support, and professional service components necessary for operation, representing multiple distinct performance obligations.

Hardware and installation revenue is recognized when the MedCenter is delivered, installed, and controlled by the customer. Software, and maintenance and support revenue is recognized over the term of the MedCenter Systems contract. Professional service revenue is recognized on a proportional performance, time-and-materials basis, as the services are delivered to the customer. For any consideration received prior to the fulfillment of the obligation, deferred revenue is recorded. As of December 31, 2022 and 2021, deferred revenue on the consolidated balance sheets was $0.2 million and $0.1 million, respectively.

Retail Pharmacy Revenue Recognition

The Company recognizes revenue, net of sales taxes and expected returns, at the time it sells merchandise or dispenses prescription drugs to the customer. Revenue from the sale of the pharmaceutical products is recorded at a transaction price which includes an estimate of direct and indirect remuneration fees or DIR fees associated with prescription drugs dispensed during the year. DIR fees are calculated by pharmacy benefit managers or PBMs after the sale is completed pursuant to contract terms. The DIR fees under these arrangements are estimated at the time of sale and recognized as a reduction in revenue. Management developed the estimated provisions for revenue reserves based on historical trends adjusted for product mix and PBM mix.

Inventory

Inventory used in the retail pharmacy services segment consists of pharmaceuticals, which are carried at the lower of cost (first in, first out) or net realizable value.

Inventory used in the pharmacy technology segment consists primarily of MedCenter units which are finished goods, as well as spare parts. Inventories are carried at the lower of cost (specific identification) or net realizable value.

Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable, the Company compares the carrying amount of an asset group to future undiscounted net cash flows, excluding interest costs, expected to be generated by the asset group and their ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. For the years ended December 31, 2022 and 2021, the Company did not recognize any significant impairments of long lived assets.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal. Costs, including financing charges and certain design, construction and installation costs related to assets that are under construction and are in the process of being readied for their intended use, are recorded as construction-in-progress and are not subject to depreciation.

Depreciation begins when an asset is placed into service on a straight-line basis over the estimated useful lives as follows:

IT equipment	1 – 3 years
General plant and equipment	5 – 8 years
Vehicles	5 years
Office furniture and equipment	5 – 8 years
Leasehold improvements	lesser of useful life or term of lease
MedCenter equipment	8 years

Maintenance and repairs are charged to expense as incurred. Renewals and betterments that materially prolong the useful lives of the assets are capitalized. The cost and related accumulated depreciation of property retired or sold are removed from the accounts, and gains or losses are recognized in the consolidated statements of operations.

Intangible Assets

Intangible assets consist of software, patents and know-how. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value based on an allocation of the purchase price. Software includes internal and external use software costs that are accounted for in accordance with ASC 350 and ASC 925, respectively. Costs associated with application development are capitalized as intangible assets. All other costs including planning, training, and conceptual evaluation are expensed. The intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization of the intellectual property commenced in 2014 on delivery of the first proof of concept MedCenter. The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis.

Amortization is recorded from the date each asset is placed into service on a straight-line basis over the estimated useful lives of intangible assets as follows:

Intellectual property	6 years
Website and mobile application	2 years
Software	1 – 5 years

Leases

The Company maintains operating leases primarily for manufacturing facilities, central pharmacies, research and development facilities, corporate offices, and certain equipment.

ASC 842 requires lessees to recognize a right-of-use, or ROU, asset and a lease liability on the balance sheet for substantially all leases, except for short-term leases. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

New contracts are analyzed to determine whether they include leased assets; such leases are referred to as embedded leases. When evaluating contracts for embedded leases, the Company exercises judgment to determine if there is an explicitly or implicitly identified asset in the contract and if the Company controls the use of that asset.

The Company's accounting policy treats leases with an initial term of 12 months or less as short-term leases. Lease expense for short-term lease payments are recognized on a straight-line basis over the term of the lease.

Operating lease right-of-use, or ROU, assets and lease liabilities are recognized based on the present value of lease payments over the lease term. Because most of the leases do not include an implicit discount rate, the Company uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Company has elected not to separate lease components (e.g. payments for rent, real estate taxes and insurance costs) from non-lease components (e.g. common-area maintenance costs). As a result, if the non-lease components are fixed, they are included when calculating the ROU asset and related lease liability.

See Note 12 for additional disclosures.

Share-based compensation

The Company has a stock compensation plans whereby awards are granted to certain employees. The fair value of the stock options and restricted stock units or RSUs granted by the Company to employees is recognized as compensation expense on a straight-line basis over the applicable vesting period. The fair value of the options and RSU's are measured using the Black-Scholes option pricing model and intrinsic value, respectively, as of the grant date. Shares issued upon the exercise of options and vesting of RSUs are new shares. Forfeitures are estimated based on historical experience and expense related to awards, and the estimate is adjusted over the term of the awards to reflect their probability of vesting. All fully vested awards are fully expensed.

The Company has an employee stock purchase plan or ESPP, whereby employees may purchase a limited number of shares of the Company's common stock. The fair value of the ESPP shares purchased by employees, as of the grant date, is recognized as compensation expense on a straight-line basis over the period from the grant date to the exercise date.

Warrants

The Company issued warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards once issued. Certain obligations to issue warrants as compensation for services may be initially classified as liabilities before the warrants are issued. The fair value of the awards are measured using the Black-Scholes option pricing or Monte-Carlo simulation models as of the grant date. Warrants issued are initially recorded at fair value as a reduction to additional paid in capital or as an expense if the warrants are issued to pay for services.

Financing costs

Financing costs incurred to issue debt are capitalized and amortized using the effective interest method until the individual financial liability matures and are included as a component of interest expense in the consolidated statements of operations and comprehensive loss. Financing costs incurred to issue equity are capitalized and netted against the respective class of shares they were incurred to issue.

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Standards Not Yet Adopted

Measurement of Credit Losses on Financial Statements

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"), supplemented by ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses", ("ASU 2018-19"). The new standard requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 became effective for Public Business Entities who are SEC filers for fiscal years beginning after December 15, 2019, other than smaller reporting companies, all other public business entities and private companies, with early adoption permitted. ASU No. 2016-13 will be effective beginning in the first

quarter of the Company's fiscal year 2023. The adoption of ASU 2019-13 is not expected to have a material impact on our consolidated financial statements.

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU No. 2022-03, "Fair Value Measurement (Topic 820)"- Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions", ("ASU 2022-03"). The amendments in this update clarify the guidance in Topic 820. ASU 2022-03 becomes effective for Public Business Entities who are SEC filers for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. ASU No. 2022-03 will be effective beginning in the first quarter of the Company's fiscal year 2024. The Company has not yet completed its evaluation of the impact of this new guidance on its consolidated financial statements.

There was no other recently issued and effective authoritative guidance that is expected to have a material impact on the Company's consolidated financial statements through the reporting date.

NOTE 6 - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income or loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income or loss available to common stockholders by the weighted-average number of common shares plus the effect of dilutive potential common shares outstanding during the period.

The following table presents warrants included in weighted average shares outstanding due to their insignificant exercise price, during the period from the date of issuance to the exercise date. After these warrants were exercised the related issued and outstanding common shares are included in weighted average shares outstanding:

Shares	Issuance Date	Exercise Date
118,228	May 9, 2018	May 10, 2021
309,698	February 11, 2020	May 10, 2021
84,911	June 29, 2020	May 10, 2021
39,208	November 18, 2020	May 10, 2021
19,310	November 18, 2020	Outstanding

During the years ended December 31, 2022 and 2021, there was no potential dilution from stock options, RSUs, and other warrants due to the Company's net loss position. As of December 31, 2022 and 2021, there was a total of 31,023,725 and 4,369,668, respectively, of potential common shares underlying outstanding stock options, RSUs and other warrants. See Note 19.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, expect for share and per share amounts):

	Year Ended December 31,	
	2022	2021
Net loss - basic and diluted	$ (47,616)	$ (43,815)
Weighted average shares - basic and diluted	65,776,384	32,656,325
Net loss per share - basic and diluted	$ (0.72)	$ (1.34)

NOTE 7 - FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

As of December 31, 2022 and 2021, there were no assets and liabilities that were accounted for at fair value on a reoccurring basis.

Fair value measurements are categorized in one of the following three levels based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets or liabilities include:

a. quoted prices for similar assets or liabilities in active markets;

b. quoted prices for identical or similar assets or liabilities in inactive markets;

c. inputs other than quoted prices that are observable for the asset or liability;

d. inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable (i.e., supported by little or no market activity) and significant to the fair value measure.

The carrying amount of the Company's term loan approximates fair value based upon market interest rates available to us for debt of similar risk and maturities. Refer to Note 13, Debt, for further information regarding the Company's term loan. The carrying amount of cash and cash equivalents and restricted cash approximates fair value.

NOTE 8 - INVENTORY

The following table presents detail of inventory balances (in thousands):

	December 31,	
	2022	2021
Inventory:		
MedCenter hardware	$ 3,331	$ 1,201
Pharmaceuticals	2,943	2,150
Spare parts	663	565
Total inventory	$ 6,937	$ 3,916

During the year ended December 31, 2022 there were no inventory cost adjustments. During the year ended December 31 2021, the Company recorded inventory cost adjustments of $0.6 million, that were included in pharmacy and hardware cost of products sold on the consolidated statement of operations and comprehensive loss. The 2021 inventory cost adjustments were specific to the M5 MedCenter model.

During the years ended December 31, 2022 and 2021, $37.0 million and $18.5 million of inventory was recognized as pharmacy cost of revenue, respectively; and $0.3 million and $1.1 million were recognized as hardware cost of revenue, respectively on the consolidated statement of operations and comprehensive loss.

NOTE 9 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

The following table presents prepaid expenses and other current assets balances (in thousands):

	December 31,	
	2022	2021
Prepaid expenses and other current assets:		
Prepaid MedCenter inventory	$ 1,359	$ 1,050
Prepaid insurance	921	509
Other	383	632
Total prepaid expenses and other current assets	$ 2,663	$ 2,191

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The Company's principal technology product offering is the MedCenter. MedCenter equipment includes the hardware and components necessary for installation and operation.

The following tables present property, plant and equipment balances (in thousands):

	Estimated useful lives	December 31, 2022	December 31, 2021
Property, plant and equipment:			
MedCenter equipment	8 years	$ 7,983	$ 5,875
IT equipment	1 - 3 years	2,394	2,361
Leasehold improvements	lesser of useful life or term of lease	980	880
General plant and equipment	5 - 8 years	619	603
Office furniture and equipment	5 - 8 years	551	394
Vehicles	5 years	54	54
Construction-in-process		414	1,021
Total historical cost		12,995	11,188
Accumulated depreciation		(6,540)	(5,496)
Total property, plant and equipment, net		$ 6,455	$ 5,692

During the years ended December 31, 2022 and 2021, there was a transfer of $1.2 million and $1.8 million, respectively, from inventory to property, plant and equipment. MedCenter units in inventory are transferred to property, plant and equipment when those units are either placed at one of the Company's SpotRx clinics or leased to a third party.

As of December 31, 2022 and 2021, $0.9 million and $1.7 million worth of MedCenter equipment was leased under Subscription Agreements, respectively, net of $0.5 million and $1.0 million accumulated depreciation, in property, plant and equipment.

The Company recognized $1.2 million of depreciation for each of the years ended December 31, 2022 and 2021, respectively, of which $0.1 million and $0.2 million, respectively, were included in pharmacy and hardware cost of products sold.

NOTE 11 - INTANGIBLE ASSETS

The following table presents intangible asset balances (in thousands):

	December 31, 2022	December 31, 2021
Gross intangible assets:		
Software	$ 5,321	$ 4,475
Intellectual property	3,857	3,857
Website and mobile application	583	583
Total intangible assets	9,761	8,915
Accumulated amortization:		
Software	(4,856)	(2,175)
Intellectual property	(3,857)	(3,857)
Website and mobile application	(583)	(583)
Total accumulated amortization	(9,296)	(6,615)
Total net book value	$ 465	$ 2,300

The Company recognized $2.7 million and $0.6 million of amortization for the years ended December 31, 2022 and 2021, respectively, which was included in operating expenses. The increase in Software amortization is the result of a decrease in the remaining useful life of the asset, due to obsolescence, resulting in an increased amortization of $1.9 million for the year ended December 31, 2022. The remaining balance will amortize as follows:

	December 31, 2022
2023	$ 119
2024	106
2025	103
2026	103
2027	34
Thereafter	—
Total amortization	465

NOTE 12 - LEASES

The Company maintains operating leases primarily for central pharmacies, corporate offices, research and development facilities, and certain equipment.

Lease terms include options to extend or terminate leases when it is reasonably certain that the Company will exercise those options. Real estate leases for facilities have a remaining lease term of 1 – 5 years.

Certain of the lease agreements contain variable lease payments that are adjusted periodically to adjust estimated amounts for actual operating expenses; these variable amounts are not material. When sublease income is generated for certain properties, MedAvail records its liability separately from those expected inflows. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expenses were $0.9 million for each of the years ended December 31, 2022 and 2021, respectively.

Balance sheet amounts for lease assets and leases liabilities are as follows (in thousands):

	December 31,	
	2022	2021
Assets		
Operating:	$ 1,953	$ 2,376
Finance:	132	162
Total assets	$ 2,085	$ 2,538
Liabilities:		
Operating:		
Current	626	599
Long-term	1,518	1,947
Finance:		
Current	82	83
Long-term	51	80
Total liabilities	$ 2,277	$ 2,709

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate related to the Company's leases as follows:

	December 31,	
	2022	2021
Finance leases:		
Weighted-average remaining lease term (years)	1.6	1.5
Weighted-average discount rate	8.7 %	8.8 %
Operating leases:		
Weighted-average remaining lease term (years)	3.6	4.2
Weighted-average discount rate	6.9 %	6.9 %

Maturities of operating lease liabilities are as follows (in thousands):

	December 31, 2022
2023	$ 755
2024	617
2025	534
2026	468
2027	64
Thereafter	—
Total lease payments	2,438
Less: present value discount	(294)
Total leases	$ 2,144

Maturities of finance lease liabilities are as follows (in thousands):

	December 31, 2022
2023	$ 92
2024	49
2025	4
2026	—
2027	—
Thereafter	—
Total finance lease payments	145
Less: imputed interest	(12)
Total leases	$ 133

NOTE 13 - LONG TERM DEBT, NET

The following table presents debt balances (in thousands):

	December 31,	
	2022	2021
Term loan	$ 5,182	$ 10,070
Term loan discount	(384)	(532)
Total debt	4,798	9,538
Less Short-term debt	—	—
Long-term debt	$ 4,798	$ 9,538

Term Loan

On June 7, 2021, the Company entered into a Loan and Security Agreement, or the Loan Agreement, with Silicon Valley Bank and SVB Innovation Credit Fund VIII, L.P., or the Lenders, pursuant to which we borrowed $10.0 million in aggregate initial term loans, the (Initial Loans). The Initial Loans and the Company's obligations under the Loan Agreement are guaranteed by certain of our subsidiaries and are secured by substantially all of the assets of the Company and its subsidiary guarantors.

The Initial Loans mature on April 1, 2026. In December 2022 the Company made a discretionary $5.0 million principal payment. The remaining principal repayment will commence on May 1, 2024 in equal monthly installments of the outstanding Loan balance through the maturity date. The Initial Loans bear interest at a floating rate equal to the greater of 7.25% or the Prime Rate plus 4.0% (11.5% at December 31, 2022). See Note 21 for further details relating to additional discretionary principal payments.

The Company may elect to prepay the Initial Loans, in whole but not in part, at any time. If the Company elects to voluntarily prepay the Initial Loans before the scheduled maturity date, the Company is required to pay the Lenders, a prepayment premium, equal to 3.0% of the outstanding principal balance if the prepayment occurs on or before June 7, 2022, 2.0% of the outstanding principal balance if the prepayment occurs on or before June 7, 2023, or 1.0% for a prepayment made after June 7, 2023, but before the scheduled maturity date. A prepayment premium is also applicable to a mandatory prepayment of the Initial Loans upon an acceleration of the Initial Loans. Upon a voluntary or mandatory prepayment of the Initial Loans, the Company is also required to pay the Lenders' expenses and all accrued but unpaid interest on the Initial Loans through the prepayment date.

A final payment fee equal to 4.75% of the Initial original principal amount of the Loans advanced will be due at the earlier of the maturity date, acceleration of the Initial Loans, or a voluntary or mandatory prepayment of the Initial Loans. The final payment fee is accreted to the Loan balance over the loan term using the effective interest method.

The Loan Agreement includes customary representations and covenants that, subject to exceptions and qualifications, restrict the Company's ability to do the following things: engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; engage in businesses that are not related to existing business; add or change business locations; incur additional indebtedness; incur additional liens; make loans and investments; declare dividends or redeem or repurchase equity interests; and make certain amendments or payments in respect of any subordinated debt. In addition, the Loan Agreement contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, maintenance of our bank accounts, protection of our intellectual property, reporting requirements, compliance with applicable laws and regulations, and formation or acquisition of new subsidiaries. Upon the occurrence and during the continuance of an event of default, the Lenders may declare all outstanding principal and accrued and unpaid interest under the Loan Agreement immediately due and payable and may exercise the other rights and remedies provided for under the Loan Agreement and related loan documents. The events of default under the Loan Agreement include, subject to grace periods in certain instances, payment defaults, breaches of covenants or representations and warranties, a material adverse change as defined in the Loan Agreement and with respect to certain governmental approvals, material judgments and attachments, cross defaults with certain other material indebtedness, bankruptcy and insolvency events with respect to the Company and its subsidiaries, and delisting of the Company's shares from NASDAQ.

For the year ended December 31, 2022, the Company obtained waivers of any covenant non-compliance or defaults from Silicon Valley Bank and SVB Innovation Credit Fund VIII, L.P. See Note 21 for further details related to the Company's debt terms and compliance with Loan Agreement covenants.

Loan issuance costs of $0.6 million are included in long term debt and are amortized to interest expense over the loan term using the effective interest method.

PPP Loan

On May 14, 2020, the Company entered into two Promissory Notes with HSBC Bank, which provided for a loan in the aggregate amount of $0.3 million, or the PPP Loan, pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. The PPP Loan had a two-year term and an interest at a rate of 1.0% per annum. Monthly principal and interest payments were deferred for six months after the date of disbursement. The PPP Loan could have been prepaid at any time prior to maturity with no prepayment penalties. The Promissory Note contained events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provided that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses, including certain payroll costs, group health care benefits and other permitted expenses as described in the CARES Act. During 2020, the Company used the entire PPP Loan amount for qualifying expenses.

The Company applied for forgiveness of the loan in accordance with the terms of the CARES Act. During March 2021 and November 2020, the Company received notice that $0.1 million and $0.2 million, respectively, of the loan was forgiven. Upon forgiveness of the PPP loan, the PPP loan balance was included in Other gain (loss), net.

MYOS Promissory Note

On November 17, 2020, the Company entered into a promissory note with MYOS Corp to borrow $3.0 million. The Company repaid $1.0 million of the borrowings in 2020. The remaining balance was repaid during 2021. The note did not accrue interest and could be repaid early without penalty.

NOTE 14 - PHARMACY OPERATIONS EXPENSES

Pharmacy operations expenses are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Pharmacy operations expenses:		
Wages and salaries	$ 9,902	$ 9,844
Other pharmacy operations expenses	1,291	1,374
Depreciation of property, plant and equipment	958	826
Rent and utilities	873	558
Repairs and maintenance	433	316
Amortization of intangible assets	2,450	578
Total pharmacy operations expenses	$ 15,907	$ 13,496

NOTE 15 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
General and administrative expenses:		
Wages and salaries	$ 11,803	$ 10,980
Professional services	2,690	3,457
Insurance	1,964	1,780
Rent and utilities	1,090	1,338
Other general and administrative expenses	1,419	1,021
Share-based compensation	2,296	1,205
Software licenses and support	1,482	1,179
Travel and other employee expenses	226	736
Office and IT supplies	378	393
Depreciation of property, plant and equipment	151	188
Total general and administrative expenses	$ 23,499	$ 22,277

NOTE 16 - OTHER GAIN (LOSS)

Other gain (loss) is as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Other gain (loss), net		
Forgiveness of PPP Loan	$ —	$ 161
Other gain (loss), net	—	45
Total other gain (loss), net	$ —	$ 206

NOTE 17 - INCOME TAXES

The provision for income taxes in the consolidated statement of operations and comprehensive loss represents an effective rate different from the US statutory tax rate for the following reasons (in thousands):

	Year Ended December 31,	
	2022	2021
Loss before income taxes	$ (47,592)	$ (43,813)
Income tax recovery at statutory rate (21%)	(9,995)	(9,201)
State income tax expense, net of federal benefit	(1,381)	(1,955)
Increase (decrease) resulting from:		
Effect of foreign tax rate	(890)	(610)
Unrecognized deferred tax asset	9,846	14,356
Other	2,420	(2,588)
Provision for income taxes	$ —	$ 2

During the year ended December 31, 2022, income tax expense on the consolidated statement of operations included $4 thousand from minimum state taxes and $20 thousand from 2021 income tax adjustments.

On March 11, 2021, the U.S. federal government enacted the American Rescue Plan Act of 2021, which did not have a material impact on our provision.

The effects of temporary differences that give rise to future income tax assets and future income tax liabilities have been determined as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Future income tax assets:		
Non-capital losses	$ 53,384	$ 44,590
Un-depreciated capital cost (UCC)	1,750	1,525
Other intangible items	2,408	1,556
Interest limitation carryforward	438	463
Total future income tax assets	57,980	48,134
Future income tax liabilities:		
Valuation allowance	(57,980)	(48,134)
Net future income tax asset	$ —	$ —

The Company is required to reduce its deferred tax assets by a valuation allowance if it is more likely than not that some or all of its deferred tax assets will not be realized. Management must use judgment in assessing the potential need for a valuation allowance, which requires an evaluation of both negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be

commensurate with the extent to which it can be objectively verified. In determining the need for and amount of the valuation allowance, if any, the Company assesses the likelihood that it will be able to recover its deferred tax assets using historical levels of income, estimates of future income and tax planning strategies. As a result of historical cumulative losses, the Company determined that, based on all available evidence, there was substantial uncertainty as to whether it will recover recorded net deferred taxes in future periods. Accordingly, the Company recorded a valuation allowance against all of its net deferred tax assets as of December 31, 2022 and 2021. The net valuation allowance increased by $9.8 million in 2022.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022, which is effective January 1, 2023 and contains provisions implementing a 15% minimum corporate income tax on book income of certain large corporations, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. The new provisions are not expected to have a material impact on the Company's consolidated financial statements.

A provision of the Tax Cuts and Jobs Act of 2017 became effective on January 1, 2022. This provision requires companies to capitalize and amortize research and development ("R&D") expenses over 5 years (and 15 years for non-U.S. R&D expenses) as opposed to deducting those expenses in the year they are incurred. The enacted provision did not have a material impact on the Company's consolidated financial statements.

As of December 31, 2022, the Company has federal net operating loss carryforwards of approximately $83.5 million, of which $11.7 million will begin to expire in the year 2032 if not utilized, and $71.8 million that will carryover indefinitely. In addition, the Company has approximately $123.1 million of non-capital losses in Canada that can be used to reduce taxable income in future years. These losses will begin to expire in the year 2032.

Utilization of the Company's net operating loss or NOL carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future in accordance with Section 382 of the Internal Revenue Code of 1986 ("Section 382") as well as similar state provisions. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and taxes, respectively. In general, an ownership change as defined by Section 382 results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50% over a three-year period. The Company has not conducted a study to assess whether a change of control has occurred or whether there have been multiple changes of control since inception due to significant complexity with such a study. If the Company has experienced a change of control, as defined by Section 382, at any time since inception, utilization of the net operating loss carryforward would be subject to an annual limitation under Section 382. Although the Company has not completed its analysis, it is reasonably possible that its federal NOLs available to offset future taxable income could materially decrease. This reduction would be offset by an equal and offsetting adjustment to the existing valuation allowance. Given the offsetting adjustments to the existing valuation allowance, any ownership change is not expected to have an adverse material effect on the Company's consolidated financial statements. Any limitation may result in expiration of a portion of the net operating loss carryforward before utilization.

The Company has filed all income tax returns for years through 2021. These returns are subject to examination by the taxing authorities in the respective jurisdictions, generally for three or four years after they were filed. Based on an analysis of tax positions taken on income tax returns filed, we determined no material liabilities related to uncertain income tax positions existed as of December 31, 2022 and 2021. Although we believe the amounts reflected in our tax returns substantially comply with applicable U.S. federal, state and foreign tax regulations, the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to our benefit for income taxes in the period in which a final determination is made.

A reconciliation of the beginning and ending amounts of unrecognized deferred tax benefits is as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 48,134	$ 33,749
Additions based on tax positions related to the current year	9,846	14,385
Ending balance	$ 57,980	$ 48,134

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefit as a component of income tax expense. The Company does not expect any significant changes to the unrecognized tax benefits within the next 12 months.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company is and, from time to time may in the future become, involved in legal proceedings, claims and litigation in the ordinary course of business. The Company has become subject to certain demands, and claims from former employees relating to the reduction in force the Company implemented in connection with the restructuring of the company and the disposition of its pharmacy services business. The Company intends to vigorously defend itself against such pending and threatened actions. The Company cannot determine a reasonable estimate of the maximum possible loss or range of loss for pending or threatened matters given that they are at various stages of the litigation process and each case is subject to the inherent uncertainties of litigation. In management's opinion, based on currently available information, any potential loss resulting from the resolution of these matters is not expected to have a material adverse effect on the Company's results of operations, financial position, or cash flows.

Purchase Commitments

As of December 31, 2022 and 2021, the Company did not have any minimum purchase commitments that were material to the consolidated financial statements.

Defined Benefit Plans

MedAvail has a 401(k) plan available to employees, but during 2022 and 2021, had no commitment to make contributions to that plan and had no liability recorded related to the plan.

Revenue Concentration Risk

The Company partners with various national and independent healthcare organizations where the SpotRx MedCenters are located. During the years ended December 31, 2022 and 2021, revenue from MedCenters placed with healthcare organization A comprised 21% and 25%, respectively, of total revenue, and healthcare organization B comprised 12% and 14%, respectively, of total revenue.

Accounts Receivable Concentration Risk

Three Pharmacy Retail Services segment payors accounted for 36% and 61% of accounts receivable at December 31, 2022 and 2021, respectively.

Vendor Concentration Risk

The following table presents the Company's vendor concentration and significant inventory suppliers:

	Year Ended December 31,	
	2022	2021
Vendor A	34 %	32 %
Vendor B	22 %	12 %

NOTE 19 - EQUITY, SHARE-BASED COMPENSATION AND WARRANTS

On June 14, 2022, the Company's stockholders approved an Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock, par value $0.001, from 100 million shares to a new total of 300 million shares. The Restated Certificate was effective upon filing the Restated Certificate with the Secretary of State of the State of Delaware on June 15, 2022. No preferred shares were outstanding at December 31, 2022 and 2021.

Dividend and Voting Rights

The holders of common stock are entitled to receive dividends if and when declared by the Board of Directors of the Company, but not until all dividends on redeemable convertible preferred stock have been either (i) paid or (ii) declared and the Company has set aside funds to pay those dividends declared. Holders of common stock have the right to one vote per share.

Private Placement

On March 30, 2022, the Company entered into a Securities Purchase Agreement, or Purchase Agreement, with certain purchasers thereto, or the Investors. Pursuant to the Purchase Agreement, the Company agreed to issue and sell to the Investors in a private placement, or the Private Placement, up to 47.1 million shares, or the Shares, of the Company's common stock, and to issue warrants, or the Warrants, to purchase up to 23.5 million shares of common stock, or Warrant Shares. The Shares and the Warrants were sold at two closings as further described below, at a price per share of $1.0625.

On April 4, 2022, the first closing of the Private Placement occurred, in which 37.6 million shares of common stock for $40.0 million in gross proceeds, before deducting placement agent commissions and other offering expenses, and Warrants exercisable for up to 18.8 million Warrant Shares were issued by the Company. A second and final closing occurred on July 1, 2022, and the Investors purchased an additional 9.4 million shares of common stock for $10.0 million in additional gross proceeds and Warrants exercisable for up to 4.7 million Warrants Shares.

Each Investor purchasing Shares in the Private Placement was issued a Warrant to purchase that number of Warrant Shares equal to 50% of the number of Shares purchased under the Purchase Agreement by such Investor. The Warrants have a per share exercise price of $1.25 and are exercisable by the holder at any time after the issuance date of the Warrant for a period of five years. If the Warrants were exercised in full by the Investors at an exercise price of $1.25, the Company would receive additional gross proceeds of up to $29.4 million. Investors would more likely exercise their warrants when the market price of the Company's shares is greater than the warrant exercise price of $1.25 or $2.50 for the 12 month and 24 month periods, and not likely to exercise their warrants when the market price is below the respective warrant exercise price.

In addition, the Warrant terms provide the Company with a call option to force the Warrant holders to exercise up to two-thirds of the warrant shares subject to each Warrant, with the lesser of one-third of all Warrant Shares, or unexercised shares, being callable beginning on each of the 12 month and 24 month anniversaries of the Warrant issuance dates, at an exercise price of $1.25 and $2.50 respectively, in each case until the expiration of the Warrants, and subject to the satisfaction of certain pricing conditions relating to the trading of the Company's shares. Were the Company to force the exercise the contingent call option of one-third of all Warrant Shares at an exercise price of $1.25 and $2.50 pursuant the 12 month and 24 month anniversary periods, the Company would receive approximately $9.8 million and $19.6 million, respectively, in gross proceeds. In order to force exercise the contingent options, on or following the 12 month or 24 month anniversaries of the Warrant issuance dates, the closing sale price of the stock must have been equal or greater than the $1.25 and $2.50 exercise price, respectively, for any 30 trading day period, subject to certain adjustments. Pursuant to ASU 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in an Entity's Own Equity (Subtopic 815-40), the Company classified these Warrant Shares as Equity in its Consolidated Balance Sheet as of December 31, 2022.

Shelf Registration and Sales Agreement

On August 12, 2022, the Company filed a shelf registration statement on Form S-3, or the Shelf, with the SEC in relation to the registration and potential future issuance of common stock, preferred stock, debt securities, depository shares, warrants, subscription rights, purchase contracts, units and/or any combination thereof, in the aggregate amount of up to $150,000,000. The Shelf was declared effective on August 26, 2022.

The Company also entered into a sales agreement as of August 12, 2022, or Sales Agreement, with Cowen and Company, LLC, or Cowen, as sales agent, providing for the offering, issuance and sale of up to an aggregate $50,000,000 of the Company's common stock from time to time at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act, including sales made directly on the Nasdaq Capital Market or any other trading market for the Company's common stock in "at-the-market" offerings, under the Shelf. As of December 31, 2022, the Company has not issued and sold any shares of common stock under the Sales Agreement.

Share-based compensation

2020 Plan

The 2020 Equity Incentive Plan, (the 2020 Plan), provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, to the Company's employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to employees, directors and consultants of the Company and the company group. The number of shares of Company Common Stock that are reserved for issuance pursuant to awards under the 2020 Plan at inception was 5,000,000 shares. The 2020 Plan also includes an evergreen provision that provides for an automatic annual increase to the number of shares of common stock available for issuance under the 2020 Plan on the first day of each fiscal year, equal to the least of: (i) 5,000,000 shares; (ii) 5% of the total number of shares of all classes of common stock of the Company as of the last day of our immediately preceding fiscal year; or (iii) such lesser amount determined by the administrator. As of December 31, 2022 there was an aggregate of 2.3 million shares of common stock available for grant under the 2020 Plan. The 2020 Plan will terminate on the tenth anniversary of its effective date. No award may be made under the 2020 Plan after its expiration date.

2022 Inducement Plan

The 2022 Inducement Equity Incentive Plan, (the Inducement Plan), provides for the grant of equity-based awards, including nonstatutory stock options, restricted stock units, restricted stock, stock appreciation rights, performance shares and performance stock units, and its terms are substantially similar to the 2020 Plan, including with respect to treatment of equity awards in the event of a "merger" or "change in control" as defined under the Inducement Plan, but with such other terms and conditions intended to comply with the NASDAQ inducement award exception or to comply with the NASDAQ acquisition and merger exception.

In accordance with the Nasdaq Listing Rules, awards under the Inducement Plan may only be made to individuals not previously employees or non-employee directors of the Company (or following such individuals' bona fide period of non-employment with the Company), as an inducement material to the individuals' entry into employment with the Company, or, to the extent permitted by the Nasdaq Listing Rules, in connection with a merger or acquisition. The number of shares of Company Common Stock that are reserved for issuance pursuant to awards under the Inducement plan was 1,500,000 shares. As of December 31, 2022 there was an aggregate of 0.2 million shares of common stock available for grant under the Inducement Plan.

2020 ESPP

The 2020 Employee Stock Purchase Plan, (the 2020 ESPP), provides eligible employees with an opportunity to purchase shares of the Company's Common Stock through accumulated contributions, which generally will be made through payroll deductions. The 2020 ESPP permits the administrator of the 2020 ESPP to grant purchase rights that qualify for preferential tax treatment under Section 423 of the Code. The maximum number of shares of our common stock that will be available for issuance under the 2020 ESPP at inception was 700,000 shares. The number of shares of common stock available for issuance under the 2020 ESPP Plan will be increased on the first day of each fiscal year beginning with the 2021 fiscal year equal to the least of (i) 1,000,000 shares of common stock; (ii) one percent 1% of the outstanding shares of common stock on the last day of the immediately preceding fiscal year; or (iii) an amount determined by the administrator. The shares may be authorized, but unissued, or reacquired common stock. As of December 31, 2022 there was an aggregate of 0.9 million shares of common stock, available for grant under the 2020 ESPP. During the year ended December 31, 2022, eligible employees contributed $0.1 million through payroll deductions to the ESPP and 112,740 shares were deemed delivered. The 2020 ESPP will terminate in 2040, unless terminated sooner.

2018 Plan

In September 2018, MAI adopted the 2018 MedAvail Equity Incentive Plan, the (2018 Plan), which provided for the granting of stock options to service providers. As part of the adoption of the 2018 Plan, the Company provided the option for all eligible service providers to exchange their options held under the 2012 MedAvail Stock Option Plan, or the 2012 Plan, as of the exchange date for new options under the 2018 Plan, at an exchange ratio of 1:5. All vesting schedules were maintained on exchange.

A total of 53 eligible service providers participated in the exchange, which resulted in the exchange of 239,181 options under the 2012 Plan for 1,269,180 options under the 2018 Plan. The exchange resulted in $1.0 million of one-time incremental compensation cost for 2018.

The maximum number of shares to be granted under the 2018 plan was 1,972,530. In accordance with the plan, the exercise price of each option is based on the fair value of the Company's common shares on the date of the grant. An option's term was determined at the discretion of the Board of Directors, not to exceed ten years. Unless otherwise stated, the consolidated financial statements reflect 1/48 of the option vesting each month over a four-year vesting period.

The 2018 Plan was closed to granting options upon adoption of the 2020 Plan.

2012 Plan

The 2012 MedAvail Stock Option Plan was modified on the date the 2018 Plan was adopted to no longer permit granting of options under the plan. As of December 31, 2022, there are 5,777 options that remained outstanding under this plan. Options granted under the 2012 Plan that were not exchanged to options under the 2018 Plan will remain subject to the terms of the 2012 Plan.

Grants

The key input assumptions that were utilized in the valuation of the stock options granted in the periods presented are as follows:

	December 31, 2022			
	Low	Weighted Average	High	Total
Awards Granted				3,100,570
Weighted Average Fair Value of Awards		$ 0.92		
Unvested Forfeiture Rate	6.00 %	6.00 %	6.00 %	
Grant Price	$ 0.59	$ 1.27	$ 1.96	
Market Price	$ 0.59	$ 1.27	$ 1.96	
Volatility	85 %	86 %	90 %	
Risk Free Rate	1.62 %	2.38 %	3.61 %	
Dividend Yield	— %	— %	— %	
Expected Life	5.50	5.91	6.08	

	December 31, 2021			
	Low	Weighted Average	High	Total
Awards Granted				1,003,130
Weighted Average Fair Value of Awards		$ 3.32		
Unvested Forfeiture Rate	6.00 %	6.00 %	6.00 %	
Grant Price	$ 1.70	$ 6.07	$ 15.15	
Market Price	$ 1.70	$ 6.07	$ 15.15	
Volatility	60 %	60 %	60 %	
Risk Free Rate	0.46 %	1.12 %	1.36 %	
Dividend Yield	— %	— %	— %	
Expected Life	5.17	5.94	6.00	

The key input assumptions that were utilized in the valuation of the RSUs granted in the periods presented are as follows:

	December 31, 2022			
	Low	Weighted Average	High	Total
Awards Granted				2,415,354
Weighted Average Fair Value of Awards		$ 1.13		
Unvested Forfeiture Rate	6.00 %	6.00 %	6.00 %	
Grant Price	$ —	$ —	$ —	
Market Price	$ 0.59	$ 1.13	$ 1.96	

	December 31, 2021			
	Low	Weighted Average	High	Total
Awards Granted				852,395
Weighted Average Fair Value of Awards		$ 3.35		
Unvested Forfeiture Rate	6.00 %	6.00 %	6.00 %	
Grant Price	$ —	$ —	$ —	
Market Price	$ 1.70	$ 3.35	$ 15.15	

The following table present outstanding stock option awards activity during the year ended December 31, 2022:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	2,848,903	$ 2.78	$ 1.44		$ 31
Granted	3,100,570	$ 1.27	$ 0.92		$ —
Cancelled/Forfeited	(1,432,002)	$ 2.18	$ 1.20		$ 111
Expired	(117,730)	$ 2.02	$ 1.10		$ 2
Outstanding, end of period	4,399,741	$ 1.88	$ 1.14	8.32	$ —
Vested and exercisable, end of the period	1,517,679	$ 2.49	$ 1.28	6.59	$ —
Vested and unvested exercisable, end of the period	1,517,679	$ 2.49	$ 1.28	6.59	$ —
Vested and expected to vest, end of the period	4,204,334	$ 1.90	$ 1.15	8.27	$ —

The following table present unvested stock option awards activity during the year ended December 31, 2022:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested outstanding, beginning of period	1,014,258	$ 4.28	$ 2.34	
Granted	3,100,570	$ 1.27	$ 0.92	
Cancelled/Forfeited	(788,325)	$ 2.57	$ 1.49	
Vested, outstanding shares	(444,441)	$ 3.89	$ 2.16	
Unvested outstanding, end of period	2,882,062	$ 1.57	$ 1.07	2.60

The following table present the outstanding stock option awards activity during the year ended December 31, 2021:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	2,439,020	$ 1.56		$ 0.76		$ 32,894
Granted	1,003,130	$ 6.07		$ 3.32		$ —
Exercised	(237,330)	$ 1.67	$ 9.90	$ 0.81		$ 1,954
Cancelled/Forfeited	(335,971)	$ 4.75		$ 2.58		$ 392
Expired	(19,946)	$ 1.65		$ 0.77		$ 20
Outstanding, end of period	2,848,903	$ 2.78		$ 1.44	7.61	$ 31
Vested and exercisable, end of the period	1,834,645	$ 1.95		$ 0.95	6.64	$ 24
Vested and unvested exercisable, end of the period	1,834,645	$ 1.95		$ 0.95	6.64	$ 24
Vested and expected to vest, end of the period	2,754,222	$ 2.74		$ 1.42	7.55	$ 31

The following table presents unvested stock option awards activity during the year ended December 31, 2021:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Unvested outstanding, beginning of period	693,644	$ 1.40	$ 0.69	
Granted	1,003,130	$ 6.07	$ 3.32	
Cancelled/Forfeited	(333,565)	$ 4.77	$ 2.59	
Expired	(19,946)	$ 1.65	$ 0.77	
Vested, outstanding shares	(329,005)	$ 3.36	$ 1.71	
Unvested outstanding, end of period	1,014,258	$ 4.28	$ 2.34	3.11

The following table present outstanding RSU awards activity during the year ended December 31, 2022:

	Number of Awards	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	802,740		$ 2.78		$ 1,124
Granted	2,415,354		$ 1.13		$ 2,729
Vested and exercised	(113,404)	$ 0.72	$ 3.63		$ 82
Cancelled/Forfeited	(728,136)		$ 1.99		$ 884
Outstanding, end of period	2,376,554		$ 1.31		$ 712
Expected to vest, end of the period	2,179,524		$ 1.32	2.2	$ 653

The following table present outstanding RSU awards activity during the year ended December 31, 2021:

	Number of Awards	Weighted Average Share Price on Date of Exercise	Weighted Average Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	—		$ —		$ —
Granted	852,395		$ 3.35		$ 2,858
Vested and exercised	(11,155)	$ 1.93	$ 11.58		$ 22
Cancelled/Forfeited	(38,500)		$ 12.83		$ 138
Outstanding, end of period	802,740		$ 2.78		$ 1,124
Vested and expected to vest, end of the period	717,476		$ 2.81	4.9	$ 1,005

The following table presents expense related to share-based compensation:

	Year Ended December 31,	
	2022	2021
Share-based compensation	$ 2,296	$ 1,205

Share-based compensation expense includes $0.1 million from the ESPP for each of the years ended December 31 2022 and 2021, respectively. Expense remaining to be recognized for unvested stock option and RSU awards as of December 31, 2022 was $2.1 million and $2.2 million, respectively, which is expected to recognized on a weighted average basis over the next 2.6 years and 2.2 years, respectively. The Company has not recognized an income tax benefit in its income tax provision due to the full reserve against net operating losses and tax assets, see Note 17 for additional details.

Warrants

During the year ended December 31, 2022, as part of the Private Placement, the Company issued 18.8 million warrants from the first closing in April 2022 with a fair value of $9.2 million, and issued 4.7 million warrants from the second closing in July 2022 with a fair value of

$4.5 million. See Note 4 for additional details. No warrants were exercised during the year ended December 31, 2022. There were 24.2 million related party warrants outstanding as of December 31, 2022. The Private Placement warrants have a term of 5 years and exercise price of $1.25 each. The fair value of the awards are measured using the Monte Carlo simulation model as of the grant date.

The key input assumptions that were utilized in the valuation of the warrants issued in April 2022 were as follows:

	Input
Market Price	$0.96
Exercise price	$1.25
Term (Years)	5.0
Volatility	85%
Risk Free Rate	2.56%

The key input assumptions that were utilized in the valuation of the warrants issued in July 2022:

	Input
Market Price	$1.59
Exercise price	$1.25
Term (Years)	5.0
Volatility	85%
Risk Free Rate	2.88%

During the year ended December 31, 2021, no warrants were issued, and warrants were exercised in exchange for issuing 794,804 shares of the Company's common stock with total cash proceeds of $0.2 million. Warrants exercised during the year ended December 31, 2021, included 565,496 held by related parties (investors), with 626,339 related party warrants outstanding as of December 31, 2021.

At the end of the year, the Company had the following outstanding warrants:

	December 31, 2022			December 31, 2021		
	Warrants	Exercise price	Remaining Term (years)	Warrants	Exercise price	Remaining Term (years)
Common	19,310	$ 0.01		19,310	$ 0.01	
Common	224,852	$ 1.66		224,852	$ 1.66	
Common	493,173	$ 1.57		493,173	$ 1.57	
Common	23,529,405	$ 1.25		—	$ 1.25	
Total	24,266,740		4.4	737,335		7.6

NOTE 20 - REVENUE AND SEGMENT REPORTING

Operating segments are the individual operations that the Chief Operating Decision Maker or CODM reviews for purposes of assessing performance and making resource allocation decisions. The CODM currently receives the monthly management report which includes information to assess performance. The pharmacy technology and retail pharmacy services operating segments both engage in different business activities from which they earn revenues and incur expenses. See Note 4 for additional discussion on revenue for the operating segments.

The Company has the following two reportable segments:

Retail Pharmacy Services Segment

Retail Pharmacy Services Segment revenue consists of products sold directly to consumers at the point of sale. The Company recognizes retail pharmacy revenue, net of taxes and expected returns, at the time it sells merchandise or dispenses prescription drugs to the customer. The Company estimates revenue based on expected reimbursements from third-party payers (e.g., pharmacy benefit managers, insurance companies

and governmental agencies) for dispensing prescription drugs. The estimates are based on all available information including historical experience and are updated to actual reimbursement amounts.

On January 19, 2023, the Company announced a plan to exit the retail pharmacy services business to focus on our pharmacy technology business. Following the exit from the pharmacy services business the Company will consists solely of the pharmacy technology business. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business. See Note 21 for further details regarding the Company's exit from the retail pharmacy services business.

Pharmacy Technology Segment

The Pharmacy Technology Segment consists of sales and subscriptions of MedPlatform Systems to customers. These agreements include providing the MedCenter prescription dispensing kiosk, software, and maintenance services. Agreements can be for a predetermined period of time, or indefinite. This generally includes either an initial lump sum payment upon installation of the MedCenter with monthly payments for software and services following, or monthly payments for the MedCenter along with monthly payments for software and maintenance services.

The following table presents revenue and costs of products sold and services by segment (in thousands):

	Retail Pharmacy Services	Pharmacy Technology	Total
Year Ended December 31, 2022			
Revenue:			
Pharmacy and hardware revenue:			
Retail pharmacy revenue	$ 41,747	$ —	$ 41,747
Hardware	—	297	297
Subscription	—	424	424
Total pharmacy and hardware revenue	41,747	721	42,468
Service revenue:			
Software	—	210	210
Maintenance and support	—	170	170
Installation	—	132	132
Professional services and other	—	129	129
Total service revenue	—	641	641
Total revenue	41,747	1,362	43,109
Cost of products sold and services	39,803	721	40,524
Segment gross profit	$ 1,944	$ 641	2,585
Operating expense:			
Pharmacy operations			15,907
General and administrative			23,499
Selling and marketing			8,486
Research and development			1,115
Total operating expense			49,007
Operating loss			$ (46,422)

	Retail Pharmacy Services	Pharmacy Technology	Total
Year Ended December 31, 2021			
Revenue:			
Pharmacy and hardware revenue:			
Retail pharmacy revenue	$ 20,203	$ —	$ 20,203
Hardware	—	470	470
Subscription	—	446	446
Total pharmacy and hardware revenue	20,203	916	21,119
Service revenue:			
Software	—	259	259
Maintenance and support	—	161	161
Installation	—	39	39
Professional services and other	—	551	551
Total service revenue	—	1,010	1,010
Total revenue	20,203	1,926	22,129
Cost of products sold and services	20,031	1,781	21,812
Segment gross profit	$ 172	$ 145	317
Operating expense:			
Pharmacy operations			13,496
General and administrative			22,277
Selling and marketing			7,204
Research and development			849
Total operating expense			43,826
Operating loss			$ (43,509)

The following table presents assets and liabilities by segment (In thousands):

	Retail Pharmacy Services	Pharmacy Technology	Corporate	Total
December 31, 2022				
Assets	$ 14,495	$ 7,816	$ 10,821	$ 33,132
Liabilities	$ 4,470	$ 2,594	$ 5,244	$ 12,308
December 31, 2021				
Assets	$ 13,641	$ 5,222	$ 19,280	$ 38,143
Liabilities	$ 5,618	$ 3,567	$ 9,885	$ 19,070

The following table presents long-lived assets, which include property, plant, and equipment and right-of-use-assets by geographic region, based on the physical location of the assets (in thousands):

	Year Ended December 31,	
	2022	2021
Long-lived assets:		
United States	$ 8,251	$ 7,675
Canada	289	555
Total long-lived assets	$ 8,540	$ 8,230

NOTE 21 – SUBSEQUENT EVENTS

Exit of Pharmacy Services and SpotRx

On January 19, 2023, the Company announced a plan to exit the pharmacy services business to focus on our pharmacy technology business. Following the exit from the pharmacy services business the Company consists solely of the pharmacy technology business. The retail pharmacy services component was not classified as held for sale at December 31, 2022, as the pharmacy services business exit and related sale of assets and employee terminations were approved by the board of directors on January 12, 2023. On April 6, 2023, we announced that we had completed the transactions contemplated by the Asset Purchase Agreement, including the disposition of the specific assets therein, on February 10, 2023. As of March 31, 2023, we have substantially completed our exit from the pharmacy services business.

Asset Purchase and Sale Agreement

On January 22, 2023, the Company entered into the Asset Purchase and Sale Agreement dated January 20, 2023, as amended, or the Asset Purchase Agreement, with German Dobson CVS, L.L.C., Garfield Beach CVS, L.L.C., Longs Drug Stores California, L.L.C., Woodward Detroit CVS, L.L.C. and Holiday CVS, L.L.C. or CVS, pursuant to which the Company agreed to sell certain of its assets, including pharmacy records, and inventory, in the SpotRx pharmacies located in Tucson and Phoenix, Arizona; Buena Park, Laguna Hills and San Fernando, California; Southfield, Michigan; and in Orlando and Tampa, Florida.

On February 9, 2023, the Company closed the Asset Purchase Agreement receiving $2.9 million cash proceeds (subject to $0.1 million fees and a $0.2 million holdback), which were used to paydown and reduce the outstanding balance of the Company's senior secured term loan facility. Upon closing, the pharmacy records and inventory purchased by CVS were transferred from the SpotRx pharmacies to nearby CVS pharmacy locations. The Asset Purchase Agreement contains customary representations, warranties, covenants and indemnification provisions. Under the Asset Purchase Agreement, the Company has agreed to indemnify CVS from and against specified liabilities and expenses incurred by CVS, including as a result of the breach of the Company's representations and warranties, and subject to certain limitations. A portion of the purchase price, in the aggregate amount of up to $220,000, was held back at closing for a period of six months and shall serve as a reserve to ensure payment and performance of the Company's indemnification and other obligations pursuant to the Asset Purchase Agreement.

First Amendment, Consent and Default Waiver to Loan and Security Agreement

On February 10, 2023, the Company entered into the First Amendment, Consent and Default Waiver to Loan and Security Agreement or the Loan Amendment and Consent, with each of Silicon Valley Bank, a California corporation, and an authorized foreign bank under the Bank Act (Canada), and SVB Innovation Credit Fund VIII, L.P., a Delaware limited partnership or together SVB.

Among other matters, the Loan Amendment and Consent provides SVB's consent to the sale of certain assets related to the Company's pharmacy services business pursuant to the previously announced Asset Purchase Agreement. The Loan Amendment and Consent also provides that upon the closing of the Asset Sale, the Company will pay to SVB a payment of $3.4 million. The payment includes $0.4 million of the Final Payment (as defined in the Loan Amendment and Consent) and prepayment of $3.0 million Term Loan Advances (as defined in the Loan Amendment and Consent), with SVB waiving the prepayment premium due on all Term Loan Advances prepaid by the Company prior to February 10, 2023. The Loan Amendment and Consent also provides a waiver of any legal action or enforcement of rights and remedies with respect to the specified defaults enumerated therein, and prior to February 10, 2023.

On February 10, 2023, in connection with the entry into the Loan Amendment and Consent, the Company also issued warrants or the Warrants, to SVB for the purchase of up to an aggregate of 200,366 shares of Common Stock at a per share exercise price of $0.3274, with an expiration date of February 10, 2035. The number of shares and the exercise price are subject to adjustment as set forth in the Warrants. The Warrants are equity classified.

Private Placement

On March 9, 2023, the Company entered into a Securities Purchase Agreement, or private placement (the "Offering") of securities with certain institutional investors, or the Investors. Pursuant to the terms of the Offering, the Company agreed to issue pre-funded warrants to purchase common stock (the "Pre-Funded Warrants") upon closing at a price of $0.3212 per underlying share, and are exercisable into shares of common stock at an exercise price of $0.001 per share. Additionally, the Company agreed to issue Series A warrants to purchase common stock an exercise price of $0.385440 per share (the "Series A Warrants"), to be issued following stockholder approval of the Offering. The issuance of the Series A Warrants, including the underlying shares of common stock and the portion of the Pre-Funded Warrants in excess of 19.99% of the shares of Common Stock outstanding prior to the Offering, are subject to approval by the stockholders of MedAvail.

The Pre-Funded Warrant shares are exercisable for an aggregate of up to 49,813,198 shares of common stock, and the Series A Warrants would be exercisable for an aggregate of up to 49,813,198 shares of common stock. Upon close of the transaction the Company received gross proceeds from the Offering of approximately $16 million, before deducting offering expenses. The Company intends to use the net proceeds

from this offering to fund one-time costs associated with restructuring, repay outstanding debt, and finance its growth initiatives related to its MedCenter technology business.

Silicon Valley Bank Closure

On March 10, 2023, Silicon Valley Bank ("SVB"), based in Santa Clara, California, was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. On March 10, 2023, the Federal Deposit Insurance Corporation (the "FDIC") took control of Silicon Valley Bank ("SVB") and created the National Bank of Santa Clara to hold the deposits of SVB after SVB was unable to continue their operations. SVB's deposits are insured by the FDIC in amount up to $250 for any depositor and any deposit in excess of this insured amount could be lost. On March 12, 2023, the U.S. Treasury, Federal Reserve, and FDIC announced that SVB depositors will have access to all deposited funds starting March 13, 2023.

SVB Letter Agreement

On March 13, 2023, the Company was informed by the Lenders the Company was still bound by the terms, conditions, and covenants of its Loan Agreement and Loan Amendment and Consent. On March 29, 2023, the Company entered into a Letter Agreement (the "Letter Agreement"), with each (a) Silicon Valley Bank, a Division of First-Citizens Bank & Trust Company (successor by purchase to the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bridge Bank, N.A. (as successor to Silicon Valley Bank)) ("SVB"), in its capacity as administrative agent and collateral agent ("Agent"), (b) SVB, as a lender, and (c) SVB Innovation Credit Fund VIII, L.P., a Delaware limited partnership ("SVB Capital"), as a lender, (the "Lenders"), and obtained a waiver any event of default prior to March 29, 2023. The Letter Agreement also amends the Loan and Security Agreement to provide the Company only be required to maintain at least 50% of the aggregate dollar value of all of Borrower's accounts at all financial institutions, with SVB or SVB affiliates.

As of March 31, 2023, the Company had approximately $9.8 million on deposit with SVB and $9.7 million on deposit with another financial institution. The Company does not anticipate a material impact on its financial condition, operations or Loan and Security Agreement with SVB. The Company continues to monitor the circumstances surrounding SVB. As of the date of filing this Annual Report on Form 10-K, the Company has full access to and control over all its cash, cash equivalents across all financial institutions.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were not effective.

In connection with this evaluation, our management identified the following material weaknesses in our disclosure and procedures:

- As described below, a material weakness in our internal control over financial reporting concerning our initial supporting documentation for certain technical accounting matters did not adequately address the appropriate accounting guidance, which was indicative of the lack of controls relating to our financial reporting process, including the evaluation and analysis of accounting treatment for complex, non-standard transactions.

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control—Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has identified a material weakness that has caused our management to conclude that, as of December 31, 2022, there was a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis:

- Our initial supporting documentation for certain technical accounting matters did not adequately address the appropriate accounting guidance. This was indicative of the lack of controls relating to our financial reporting process, including the evaluation and analysis of accounting treatment for complex, non-standard transactions.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to an exemption for non-accelerated filers from the internal control audit requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002.

Remediation of Material Weakness

To remediate the material weakness in our documentation, evaluation and testing of internal controls we plan to:

- Continue to design and implement controls relating to our financial reporting process. This includes preparing initial supporting documentation for certain technical accounting matters in order to adequately address the appropriate accounting guidance, including the evaluation and analysis of accounting treatment for complex, non-standard transactions, and evaluating the continued engagement of external consultants to provide support and to assist us in our evaluation of such transactions.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from our definitive Proxy Statement to be filed with the SEC in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

PART IV

Item 15. Exhibit and Financial Statement Schedules

We have filed the following documents as part of this Annual Report on Form 10-K:

1. The financial statements required to be included in this Annual Report on Form 10-K are included in Item 8 of this Report.

2. All other schedules have been omitted because they are not required, are not applicable, or the required information is shown on the consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	3.1	November 18, 2020
3.2	Amended and Restated Bylaws of the Registrant	8-K	3.2	November 18, 2020
4.1	Description of Securities of the Registrant	10-K	4.1	March 31, 2021
4.2	Form of Common Stock Purchase Warrant issued by MedAvail, Inc.	8-K	4.1	November 18, 2020
4.3	Amended and Restated Investors' Rights Agreement by and among the Registrant, MedAvail, Inc., and certain stockholders, dated October 9, 2020	S-4/A	4.9	October 9, 2020
4.4	Form of Common Stock Purchase Warrant issued by the Registrant to H.C. Wainwright & Co., LLC or its affiliates	8-K	4.3	November 18, 2020
4.5	Securities Purchase Agreement, dated as of March 30, 2022	8-K	10.1	April 4, 2022
4.6	Registration Rights Agreement, dated as of March 30, 2022	8-K	10.2	April 4, 2022
4.7	Form of Warrant	8-K	10.3	April 4, 2022
4.8	Sales Agreement dated as of August 12, 2022.	S-3	1.2	August 12, 2022
4.9	Securities Purchase Agreement, dated as of March 9, 2023	8-K	10.1	March 14, 2023
4.10	Registration Rights Agreement, dated as of March 9, 2023	8-K	10.2	March 14, 2023
4.11	Form of Pre-Funded Warrant to Purchase Common Stock	8-K	10.3	March 14, 2023
4.12	Form of Series A Warrant to Purchase Common Stock	8-K	10.4	March 14, 2023
10.1#	Form of Indemnification Agreement between the Registrant and each director and executive officer of the Registrant	8-K	10.15	November 18, 2020
10.2#	MedAvail Holdings, Inc. 2020 Equity Incentive Plan and related form agreements	8-K	10.11	November 18, 2020
10.3#	MedAvail Holdings, Inc. 2020 Employee Stock Purchase Plan	8-K	10.12	November 18, 2020
10.4#	MedAvail, Inc. 2012 Equity Incentive Plan, as amended, and related form agreements	8-K	10.13	November 18, 2020
10.5#	MedAvail, Inc. 2018 Equity Incentive Plan and related form agreements	8-K	10.14	November 18, 2020
10.6	Product Distribution Agreement, dated October 31, 2018, by and between MedAvail Pharmacy Inc. and Priority Healthcare Distribution, Inc.	S-4	10.21	September 3, 2020
10.7§	Pharmacy Provider Agreement, dated September 11, 2017, by and between MedAvail Pharmacy Inc. and Express Scripts, Inc.	S-4	10.23	September 3, 2020
10.8§	Manufacturing and Supply Agreement, dated August 17, 2020, by and between MedAvail Technologies Inc. and KITRON TECHNOLOGIES	S-4	10.24	September 3, 2020
10.9	Industrial Lease, dated August 13, 2012, by and between MedAvail Technologies Inc. and The Great-West Life Assurance Company and 801611 Ontario Limited, as amended on February 11, 2019	S-4	10.8	September 3, 2020
10.10#§	Offer Letter, dated August 12, 2021, by and between the Registrant and Ramona Seabaugh	8-K	10.1	September 20, 2021
10.10.1#§	Change in Control and Severance Agreement, dated August 31, 2021, by and between MedAvail Technologies (US), Inc. and Ramona Seabaugh	8-K	10.2	September 20, 2021
10.11#§	Offer Letter, dated May 16, 2018, by and between MedAvail, Inc. and William Misloski	S-4	10.17	September 3, 2020

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
10.12#§	Offer Letter by and between the Registrant and Mark Doerr	8-K	10.1	January 11, 2022
10.13#§	Change of Control and Severance Agreement by and between the Registrant and Mark Doerr	8-K	10.2	January 11, 2022
10.14#§	Transition Services Agreement between the Company and Ed Kilroy	8-K	10.3	January 11, 2022
10.15§	Loan and Security Agreement dated June 7, 2021	8-K	10.1	June 7, 2021
10.15.1§	First Amendment, Consent and Default Waiver to Loan and Security Agreement dated February 10, 2023, by and among MedAvail Holdings, Inc., MedAvail Pharmacy, Inc., MedAvail, Inc., MedAvail Technologies (US) Inc., MedAvail Technologies, Inc., Silicon Valley Bank, and SVB Innovation Credit Fund VIII, L.P.	8-K	10.1	February 16, 2023
10.15.2	Warrant to Purchase Stock dated February 10, 2023 issued to Silicon Valley Bank	8-K	10.2	February 16, 2023
10.15.3	Warrant to Purchase Stock dated February 10, 2023 issued to SVB Innovation Credit Fund VIII, L.P.	8-K	10.3	February 16, 2023
10.16#§	Offer Letter between the Company and Steven Hess	8-K	10.1	February 22, 2022
10.16.1#§	Change of Control and Severance Agreement between the Company and Steven Hess	8-K	10.2	February 22, 2022
10.17#	MedAvail Holdings, Inc. 2022 Inducement Equity Incentive Plan and related forms of stock option and restricted stock unit agreements.	8-K	10.1	April 8, 2022
10.18#	Separation Agreement and Release by and between MedAvail Holdings, Inc. and Steven Hess	8-K	10.1	February 10, 2023
10.19#	Separation Agreement and Release by and between MedAvail Holdings, Inc. and Matt Broome	8-K	10.2	February 10, 2023
10.20*§	Asset Purchase and Sale Agreement dated January 20, 2023			
10.21*§	McKesson Supply Agreement			
10.22	Letter Agreement dated March 29, 2023	8-K	10.1	April 3, 2023
10.23*	Change in CEO Base Salary			
21.1	Subsidiaries of the Registrant	8-K	21.1	November 18, 2020
23.1*	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP			
23.2 *	Consent of Independent Registered Public Accounting Firm Baker Tilly US LLP			
24.1*	Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K)			
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K			
104*	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set			

§ Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(a)(6) and Item 601(b)(10).

# Indicates a management contract or compensatory plan.
* Filed herewith.
** Furnished herewith.

Item 16. Form 10–K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDAVAIL HOLDINGS, INC.

Date: April 14, 2023

By: /s/ Mark Doerr
Mark Doerr
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Mark Doerr and Ramona Seabaugh, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact, proxy and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorney-in-facts and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark Doerr Mark Doerr	Chief Executive Officer, President and Director (*Principal Executive Officer*)	April 14, 2023
/s/ Ramona Seabaugh Ramona Seabaugh	Chief Financial Officer (*Principal Financial and Accounting Officer*)	April 14, 2023
/s/ Rob Faulkner Rob Faulkner	Chair of the Board	April 14, 2023
/s/ Gerald Gradwell Gerald Gradwell	Director	April 14, 2023
/s/ Paul Johnson Paul Johnson	Director	April 14, 2023
/s/ Michael Kramer Michael Kramer	Director	April 14, 2023
/s/ Laurie McGraw Laurie McGraw	Director	April 14, 2023
/s/ Glen Stettin Glen Stettin	Director	April 14, 2023

ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT (hereinafter, this "Agreement") is dated as of January 20, 2023, by and between MedAvail Pharmacy, Inc., an Arizona corporation ("Seller"), with a notice address of 4720 E. Cotton Gin Loop, Suite 220, Phoenix, AZ 85040, on the one hand, and each of the buyer entities set forth on Exhibit A to this Agreement (collectively, "Buyer"), all with a notice address of One CVS Drive, Woonsocket, Rhode Island 02895, Attn: Legal Department – Acquisitions, on the other hand.

WHEREAS, Seller is the operator of the retail drugstores (each a "Store" and together the "Stores") set forth on Exhibit A at the locations set forth on Exhibit A (each a "Premises");

WHEREAS, Seller owns certain assets in connection with its operation of the Stores, which Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all subject to and upon the terms hereinafter set forth;

WHEREAS, MedAvail Holdings, Inc., a Delaware corporation ("Equity Holder") directly or indirectly owns all of the outstanding capital stock of Seller; and

WHEREAS, in order to induce Buyer to purchase the Assets (as hereinafter defined), Equity Holder has executed this Agreement as a party hereto and agrees to be held jointly and severally liable for all of Seller's obligations under this Agreement.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller agree as follows:

1. **ASSETS; PURCHASE PRICE.**

(a) Assets. Subject to the terms and conditions of this Agreement, Seller agrees to sell, transfer, assign and convey to Buyer, free and clear of all liens, security interests and other encumbrances, the following described assets (collectively, the "Assets"):

(i) *Inventory*. The prescription merchandise, insulin and schedule V items located at the Stores (the "Inventory"), as set forth in the inventory instructions attached hereto as Schedule A (the "Inventory Instructions"), subject to the exclusions set forth thereon.

(ii) *Prescription Files.* All prescription files, records and data utilized, maintained and/or generated by Seller in the course of operating its licensed pharmacy in the Stores (hereinafter, collectively, "Seller's Rx Data") from the Date of Inventory (as hereinafter defined) and going back no less than the greater of (i) the period of time required by federal and state law and (ii) two (2) years (the "Required Time Period"). Seller's Rx Data shall include all hard copy prescriptions, signature logs, patient profiles, patient refill histories, customer lists, customer data and information derived from customer loyalty, credit and similar programs, and all electronic data of the same maintained in any format by Seller. If Seller has not operated in a Store for the Required Time Period prior to the Date of Inventory, the Required Time Period shall be such shorter period as Seller has operated in such Store. In addition, to the extent Seller's Rx Data is maintained in electronic format, Buyer may elect (in its discretion) to convert and

transfer all or any portion of such electronic Seller's Rx Data, including for periods outside of the Required Time Period. Seller will work in good faith with Buyer to transfer Seller's Rx Data to Buyer in the most effective, efficient, and secure manner. Seller shall fully cooperate and assist Buyer, commencing as of the date hereof, in Buyer's efforts to convert or transfer Seller's Rx Data, using such means and efforts as determined by Buyer in its sole discretion. Seller's Rx Data shall be transferred to Buyer exclusively, shall not be shared with any third parties, and shall not be diminished or removed from any Store between the date of execution of this Agreement and the Date of Inventory.

(iii) *Warranties*. To the extent assignable or transferable, all guaranties and warranties of third parties to the extent they specifically relate to the conduct of the business at the Stores or ownership of the Assets.

(iv) *Goodwill.* All goodwill with respect to the Assets being sold hereunder.

(b) Excluded Assets; No Assumption of Liabilities. Other than the Assets, the parties agree that Buyer is not purchasing or acquiring, and Seller is not selling or assigning, any other assets or property of Seller including, without limitation, trademarks and service marks (except as set forth in Section 2(d) below), Information Systems (as hereinafter defined) (except as set forth in Section 2(b) below), vehicles, contracts, leases (including equipment leases), automated medication dispensing kiosks (or the pharmacy inventory included therein), or other agreements, furniture, fixtures, equipment and other fixed assets at the Stores, cash, cash equivalents, deposit accounts, or accounts receivable of Seller, or corporate records, accounting records, or tax records of Seller (collectively, the "Excluded Assets"). Further, Buyer shall not assume, or be obligated to perform, pay or otherwise discharge, any liability or obligation of Seller of any nature whatsoever, including, without limitation, any type of successor liability, as a result of this transaction. Without limiting the foregoing, Seller expressly acknowledges and agrees that Buyer is not assuming, and Buyer expressly disclaims and declines assumption of any and all obligations and/or liabilities of Seller, the Assets, or the Stores arising from or related to acts or omissions occurring on or prior to the applicable Date of Inventory.

(c) Purchase Price. Subject to the Holdback Amount (as hereinafter defined), and any other adjustments set forth in this Agreement, the aggregate amount to be paid by Buyer to Seller with respect to the Assets (other than Inventory) and rights transferred to Buyer hereunder shall equal [REDACTED] (the "Non-Inventory Purchase Price"), plus the Inventory Payment (as hereinafter defined) (collectively, the "Purchase Price"). The purchase price for the Inventory shall be determined by a valuation of the Inventory located at each Store pursuant to the cost factors listed in the Inventory Instructions, not to exceed maximum of [REDACTED] for all Stores in the aggregate (collectively, the "Inventory Payment").

(d) Intentionally Omitted.

(e) Holdback. The sum of Two Hundred Twenty Thousand and 00/100 Dollars ($220,000.00) (hereinafter the "Holdback Amount"), shall be retained by Buyer from the Purchase Price and not paid to Seller as a reserve to ensure payment and performance of Seller's indemnification and other obligations pursuant to this Agreement. Buyer shall hold, administer and disburse the Holdback Amount, net of amounts, if any, applied against Seller's indemnification and other obligations as provided herein. Following Buyer's determination of liability on account of Seller's indemnification or other obligations hereunder, Buyer shall deduct

from the Holdback Amount an amount equal to the damages suffered or incurred and either retain such amount for its own account or make payments directly to the appropriate party. Within thirty (30) days after six (6) months following the Date of Inventory, Buyer shall pay to Seller, the remaining Holdback Amount, if any, minus any amounts held in respect of pending, disputed, or otherwise unpaid claims for damages. The terms and provisions of this Section 1(e) shall survive Closing.

2. **ADDITIONAL AGREEMENTS OF THE PARTIES.**

(a) Access and Information. Subject to and in compliance with applicable law, prior to the Closing, Seller will provide Buyer and its authorized representatives with the following in connection with Buyer's transition related planning activities: (i) reasonable access during normal business hours and upon reasonable notice to the Stores, Assets and personnel of Seller, and (ii) such operating data and other information relating to Seller's business and Assets as Buyer may reasonably request. Buyer and Seller acknowledge that each is a "Covered Entity" as that term is defined under HIPAA. To facilitate the transition of care from Seller to Buyer, it may be necessary for Buyer to have access to electronic patient records prior to the Closing. Commencing on the date hereof and in anticipation of the transaction contemplated hereby, Seller may deliver electronic copies of Seller's Rx Data to Buyer. Buyer agrees to implement appropriate safeguards to restrict the access and use of Seller's Rx Data prior to the Closing for data migration and integration purposes. If for whatever reason the transaction does not close, Buyer agrees to take reasonable steps to remove Seller's Rx Data from its active servers and dispensing system, with written confirmation of such to Seller.

(b) Pharmacy Information Systems. If the electronic transfer of Seller's Rx Data is not completed by the applicable Date of Inventory, Seller agrees that Buyer will have full right, at no additional cost to Buyer, to use Seller's information systems including any related hardware, software, and printers used or associated with the access, use, maintenance, storage, or disclosure of Seller's Rx Data (the "Information Systems") for a period of up to ninety (90) days from the applicable Date of Inventory. Seller represents, warrants and covenants that the Information Systems shall be in working order on the applicable Date of Inventory and that Seller will maintain the Information Systems and any hardware and software support until the expiration of such ninety (90) day period. Upon Buyer's request, Seller shall provide Buyer with the name and telephone number of Seller's software and hardware maintenance vendors and contact persons. The terms and provisions of this Section 2(b) shall survive the Closing.

(c) Telephone. At no additional cost to Buyer, Seller agrees to cooperate with Buyer in connection with, at Buyer's election, (i) the transfer of the telephone and fax lines and number(s) used in the operation of the Stores to Buyer on the applicable Date of Inventory, or (ii) remote call forwarding for such telephone and fax lines and numbers to Buyer, as well as email forwarding to Buyer (if requested by Buyer), for a period of ninety (90) days commencing on the applicable Date of Inventory. Buyer shall facilitate the use, transfer or call forwarding, as applicable. Seller shall be solely responsible for all costs and expenses related to the use, transfer or call forwarding, as applicable, as well as for the cancellation of, and final payment for, any lines or services not transferred to Buyer hereunder. This includes, but is not limited to, telephone lines, fax lines, modem lines, equipment leases, service contracts and advertising. Without limiting the foregoing, in the event Buyer elects remote call forwarding under clause (ii) above, upon expiration of such ninety-day period, Seller shall disconnect the telephone and fax

line(s) and cancel the existing telephone and fax accounts. The terms and provisions of this Section 2(c) shall survive the Closing.

(d) Advertising; Social Media; Use of Name. Seller acknowledges and agrees that, following the Closing, Buyer shall have the right to advertise in local market print media the transfer of the prescription files to Buyer from Seller as described herein along with Buyer's ability to provide prescription services. At no additional cost to Buyer, Seller agrees that Buyer shall have the exclusive right to use Seller's trade names and "doing business as" names used in connection with the Stores, including "SpotRx" and any derivatives thereof, for a period of six (6) months from the initial Date of Inventory, including, without limitation, to advertise Buyer's pharmacy and the transfer of the prescription files to Buyer from Seller as described herein. Without limiting the foregoing, Buyer shall have the further right to put signs in Buyer's store windows and in the windows of the Stores (so long as Seller is still under an active lease and if permitted to do so by the applicable landlord) notifying customers that the Stores have closed and the prescription files have been transferred to Buyer's store. At Buyer's request, and at no additional cost to Buyer, Seller shall arrange to have Seller's websites and/or social media accounts post a message notifying the public of the transfer of the prescription files to Buyer from Seller as described herein and providing contact information for Buyer and its pharmacies and/or a link to Buyer's websites. Such message shall be in form and substance acceptable to Buyer and shall remain on Seller's websites and/or social medica accounts for a period of six (6) months following the initial Date of Inventory. Following such six (6) month period, or such shorter period as Buyer may elect, and upon Buyer's request, Seller shall delete its website and deactivate its social media accounts related to the Stores. Except as provided above in this subsection (d), following the Closing, Seller and Equity Holder agree that each shall not use Seller's websites and social media accounts in connection with any pharmacy business. The terms and provisions of this Section 2(d) shall survive the Closing.

(e) Notifications. Seller shall send all required notifications of the sale of the Assets hereunder and closing of the Stores to all applicable governmental authorities and supply evidence thereof to Buyer. Seller shall also surrender the pharmacy license for the Stores to the applicable governmental authority immediately after the applicable Date of Inventory and supply evidence thereof to Buyer. Seller shall, within two (2) business days following the Closing, forward to Buyer a completed W-9 Form, a copy of Seller's notice letters to the applicable Boards of Pharmacy, and a copy of Seller's notice letter to the United States Drug Enforcement Agency ("DEA"). The W-9 Form and notice letters may be forwarded to Buyer at MaryEllen.Cotnoir@CVSHealth.com. Seller shall promptly notify Buyer, and Buyer shall promptly notify Seller of any litigation, administrative proceeding or inquiry by a governmental entity pending or, to the knowledge of Seller, threatened against Seller or Buyer, as the case may be, which is directly related to the transactions contemplated by this Agreement. Buyer shall control and lead all communications and strategies relating to any inquiries by governmental authorities, or any required consent, approval or authorization by governmental authorities, in connection with the transactions contemplated by this Agreement. The terms and provisions of this Section (2)(e), and the covenant contained herein, shall survive the Closing.

(f) Third Party Providers. Buyer expressly disclaims and declines assumption of any of Seller's third party provider numbers or licenses. Buyer shall not assume, and shall not be deemed to have assumed, any and all obligations and/or liabilities of Seller, the Stores or the Assets with respect to all third party provider numbers and licenses, and said obligations and/or liabilities shall remain with Seller. Seller acknowledges that Buyer maintains relationships with

several third party payors and providers and that such relationships may change from time to time without notice. Seller further acknowledges that it did not rely on the continuation of Buyer's current relationship with any third party payor or provider when entering into this Agreement. The terms and provisions of this Section 2(f) shall survive the Closing.

(g) DSCSA. Seller and Equity Holder agree to provide Buyer with all product tracing information and other information required by the Drug Supply Chain Security Act ("DSCSA") for the Inventory to be purchased by Buyer under Section 1(a)(i) hereof, including, without limitation, transaction histories, transaction statements, and transaction information, for such Inventory (collectively, the "DSCSA Records"). At no additional cost to Buyer, Seller shall fully cooperate and assist Buyer, commencing as of the date hereof, in Buyer's efforts to effect a transfer of the DSCSA Records using such means and efforts as determined by Buyer in its sole discretion. Such cooperation shall include Seller taking such acts as may be necessary, including, without limitation, executing a release or authorization for the benefit of any third parties that are maintaining any DSCSA Records on behalf of Seller, as may be necessary to facilitate the transfer of all DSCSA Records to Buyer. The terms and provisions of this Section 2(g) shall survive the Closing.

(h) CSOS. With respect to Seller's Controlled Substances Ordering System ("CSOS"), Seller and Equity Holder agree to: (1) maintain a person designated as its CSOS Coordinator for Seller's CSOS system for at least two (2) years following the Closing (or any longer period required by state law); (2) provide Buyer with the appropriate contact information to direct the DEA to this person; (3) maintain its CSOS system, including electronic records in original form, for at least two (2) years following the Closing (or any longer period required by state law); (4) provide Buyer with hardcopies of all CSOS-related records for the two (2)-year period preceding the Closing (or any longer period required by state law) at or before Closing, including records of all orders placed and received via Seller's CSOS system (the orders and any disposition data (quantity received, date received, any statements of nonacceptance, etc.) must be clearly associated with each other), and DEA Forms 222 from the two (2) years preceding the Closing (or any longer period required by state law); and (5) revoke any former employees' CSOS signing privileges following the Closing and inform the DEA of such revocation (Seller shall provide Buyer copies of such communications to verify the foregoing). The terms and provisions of this Section 2(h) shall survive the Closing.

3. CONDUCT OF BUSINESS.

From the date of this Agreement until the Closing, except as otherwise provided in this Agreement or approved in writing by Buyer, Seller will comply with the following covenants:

(a) No Material Changes. Seller will carry on and maintain its business at the Stores and maintain the Assets in the ordinary course of business and in substantially the same manner as heretofore conducted. Seller shall use commercially reasonable efforts to maintain the prescription and sales volume at the Stores and the hours of operation of the Stores. Seller will not remove or transfer any Assets from the Stores other than in the ordinary course of business.

(b) Compliance with Laws. Seller will duly comply with all laws applicable to its business, the Stores and the Assets.

(c) No Encumbrances. Seller will not suffer or permit the creation of any lien or encumbrance upon any of the Assets, except as otherwise disclosed on Schedule 3(c).

(d) Maintenance of Insurance. Seller will maintain all of the insurance policies in effect as of the date hereof unless replaced by policies which are substantially comparable to such policies.

(e) Notification. Seller shall advise Buyer in writing promptly, but in any event prior to the Closing, of: (i) the occurrence of any event which renders any of the representations or warranties set forth herein inaccurate or the awareness of Seller that any representation or warranty set forth herein was not accurate when made; (ii) any fact that, if existing or known on the date of this Agreement would have been required to be set forth or disclosed pursuant to this Agreement; and (iii) the failure of Seller to comply with or accomplish any of the covenants or agreements set forth herein. Any notice given pursuant to this Section 3(e) shall not operate to cure any breach of the representations and warranties made by Seller herein or in any Exhibits or Schedules hereto.

4. AUDIT; PHYSICAL INVENTORY; CLOSING.

(a) Store Closings. On the evening prior to the applicable Date of Inventory, Seller shall close the applicable Store to the general public and the applicable Store shall remain closed thereafter. Seller shall, within sixty (60) days of the applicable Date of Inventory, remove all interior and exterior signage in reference to the applicable Store and all pharmacy-related fixtures, furniture, millwork and equipment. The terms and provisions of this Section 4(a) shall survive Closing.

(b) Audit. Buyer shall have the right to conduct one or more audits of Seller's business and operations in the Stores prior to the first Date of Inventory (each an "Audit"). The parties shall mutually agree on a time and date for the Audit(s). If the Audits reveal that the aggregate average number of prescriptions per week from all Stores in the aggregate as set forth on Exhibit A (the "Aggregate Prescription Average") for the last four (4) week period prior to the Audit has declined by more than five percent (5%) below the Aggregate Prescription Average, Buyer shall have the right, but not the obligation, to proportionately reduce the Non-Inventory Purchase Price based on the percent decline in prescription volume greater than five percent (5%); provided, however, that any such Audit will account for the national holiday on January 16, 2023 by incorporating the daily average volume as indicated on the bottom of Exhibit A for such date. As an example of a reduction in Non-Inventory Purchase Price described herein, if an Audit reveals that the aggregate average prescription volume for the Stores is 8,230 (or ten percent (10%) prescriptions less than the Aggregate Prescription Average), the Non-Inventory Purchase Price shall be reduced by five percent (5%). It is agreed that no new lines of pharmacy and non-pharmacy inventory or additional inventory (other than everyday inventory) shall be ordered or reordered following an Audit. Upon demand, Seller agrees to provide Buyer with invoices of all brand name and generic name prescription drugs for the (6) months prior to the Date of Inventory. Upon request by Buyer in connection with any Audit, which request may be made on one or more occasions on or prior to the Date of Inventory, Seller shall deliver to Buyer a detailed statement setting forth any prescriptions transferred from the Store to other pharmacies for the dates specified in Buyer's request. Each such statement shall (i) be de-identified of any patient specific information, (ii) include the location to which the prescriptions were transferred and the number and types of prescriptions so

transferred, (iii) be certified in writing as true and accurate by an authorized representative of Seller, and (iv) otherwise be in a form and content reasonably acceptable to Buyer.

(c) Date of Inventory. A physical count and valuation of the Inventory at the Stores shall be taken on the respective dates set forth on Exhibit A, provided Buyer may extend such date on one or more occasions by written notice (email being sufficient) to Seller up to and including the Outside Date (as defined below) (the date on which such physical inventory count is actually taken is referred to herein as the "Date of Inventory"). Prior to the commencement of the physical inventory count, Seller shall reverse and return all filled and undelivered prescriptions at the Stores to stock in accordance with applicable governmental regulations, laws and requirements, providing all necessary notice to any third-party payors, reversing any adjudicated claims made in respect of such prescriptions, and shall provide Buyer with a list of such prescriptions so that Buyer is prepared to fill such prescriptions after the Closing. RGIS Inventory Service and/or any other independent firm selected by Buyer (the "Inventory Service") shall conduct the physical inventory, at Buyer's expense, using the categories and cost factors listed in the Inventory Instructions. Seller and Buyer shall each arrange to have its personnel present at each Store on each Date of Inventory, who shall monitor and assist in same. If for any reason a Date of Inventory has not occurred by February 28, 2023 (the "Outside Date"), and provided that Buyer has not breached its obligations hereunder, Buyer shall have the right, but not the obligation, to terminate this Agreement by giving written notice to Seller and, upon any such termination, both parties shall be released of all future liabilities or obligations hereunder, other than any liabilities or obligations that expressly survive termination of this Agreement, and provided, however, that no such termination notice shall be effective if Buyer is in default of the terms hereof.

(d) Closing. The closing of the purchase and sale of the Assets (the "Closing") shall take place by facsimile or .pdf transmission of documents including counterpart signature pages effective immediately upon completion of the physical inventory count at such Store on the applicable Date of Inventory, subject to the satisfaction or waiver of the conditions precedent to Buyer's obligation to close set forth in this Agreement, including, without limitation, those set forth in Section 6. Possession and control of the Assets, and the risk of loss or damage to the Assets, shall be transferred to Buyer upon the Closing. No later than three (3) business days following the applicable Date of Inventory (the "Date of Payment"), Buyer shall pay to Seller an amount equal to the Purchase Price allocable to such Store as set forth on Exhibit A (less any amounts paid directly to Seller's secured creditors and subject to the Holdback Amount) by wire transfer to an account to be supplied by Seller; provided, however, that 50% of the Holdback Amount shall be deducted from the Purchase Price payable with respect to the first Date of Inventory and 50% of the Holdback Amount shall be deducted from the Purchase Price payable with respect to the second Date of Inventory. Notwithstanding the foregoing, Buyer shall not be required to make any payment hereunder until all conditions precedent to Buyer's obligations hereunder have been satisfied or waived in writing by Buyer. By execution of this Agreement, Seller agrees to the manner and form of payment described in this paragraph and that Buyer, upon making said payment in said manner and form, shall conclusively be deemed to have fulfilled its payment obligations hereunder.

(e) Creditor List and Payoff Letters. Seller represents and warrants that a complete and accurate list of all secured creditors which have or may have any interest in the Assets is attached hereto as Schedule 3(c), and that such list contains the names of all such secured creditors (including, without limitation, the names of any persons who may assert claims against

the Assets even though the claim(s) may be disputed). On or before the initial Date of Inventory, as a condition precedent to Buyer's obligation to close hereunder, Buyer shall have received from Seller an updated creditor list and evidence of the release of all liens, security interests and other encumbrances encumbering any of the Assets, in form and substance satisfactory to Buyer in its sole discretion, including, without limitation, any UCC-3 Termination Statements or Amendments, pay-off letters or similar documents required by Buyer. Notwithstanding anything herein to the contrary, payment of the Purchase Price shall be paid to the Seller or, at Buyer's option, paid directly to Seller's secured creditors. Seller represents, warrants and covenants that, as of the Closing, Seller's creditors will be paid in full and all of the Assets shall be free and clear of any and all security interests, liens and other encumbrances, including, without limitation, those set forth on Schedule 3(c). Should Seller, for whatever reason, fail to pay its creditors and should said creditors then proceed in any manner against Buyer and/or the Assets, and should Buyer suffer any loss as a result of the actions of Seller's creditors, then Buyer shall have, without limiting any other remedies available to it hereunder, at law or in equity, the right to deduct any such losses directly from the Holdback Amount or any payments to be made to Seller or Equity Holder according to the terms of this Agreement or any agreement entered into in connection herewith.

(f) Forwarding of Funds. Buyer agrees to forward to Seller any sums of money received by Buyer for pharmacy services rendered by Seller prior to the applicable Date of Inventory. Seller agrees to forward to Buyer any sums of money received by Seller for pharmacy services rendered by Buyer following the applicable Date of Inventory.

5. REPRESENTATIONS AND WARRANTIES OF SELLER.

As of the execution of this Agreement and the Closing, Seller and Equity Holder hereby represent and warrant to Buyer as follows:

(a) Organization and Authorization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona and in good standing in all other states in which Seller conducts its business. Seller and Equity Holder have the requisite power and authority to execute and deliver this Agreement and perform their respective obligations hereunder. This Agreement has been duly and validly authorized, executed, and delivered by Seller and Equity Holder and constitutes the legal, valid, and binding obligations of Seller and Equity Holder enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, and other similar laws affecting the enforceability of creditors' rights generally, general equitable principles, and the discretion of courts in granting equitable remedies.

(b) Title. Seller is the sole owner of, and has good and merchantable title to, all of the Assets, and all the Assets are free and clear of security interests, liens and other encumbrances, except (as of the execution of this Agreement only) as set forth on Schedule 3(c).

(c) Licenses and Permits. Seller possesses all permits, authorizations, certifications of governmental and non-governmental authorities, and licenses necessary for the operation of its business in the Stores and the same are in full force and effect and neither Seller nor Equity Holder has received notice of, nor is there any pending or any threatened proceeding relating to, the revision, cancellation or termination of any such permits, authorizations, certifications, or licenses.

(d) No Legal Actions. Except as set forth on Schedule 5(d), there are no (i) claims, actions, suits, labor disputes, arbitration, legal or administrative proceedings or investigations, including, without limitation, by the DEA, OIG, CMS, FDA, applicable Board of Pharmacy, DOL, or other governmental body, pending against Seller or Equity Holder or threatened against Seller or Equity Holder, or otherwise pending or threatened with respect to the Seller's operations, the Assets, any parent, subsidiary or other affiliate of Seller, or any director, member, manager, officer or employee of the Seller or any such affiliate, and no such actions, disputes, proceedings or investigations are contemplated or (ii) judgments, decrees, orders, writs, injunctions, rulings, decisions or awards of any court or governmental body to which Seller or Equity Holder is a party or is subject or to which any of the Assets is subject, or is otherwise pending or threatened against Seller or Equity Holder. Neither Seller nor Equity Holder has received any notice of complaints filed against Seller under HIPAA or applicable patient privacy and data protection laws and, to Seller's knowledge, there has been no violation of such laws.

(e) Compliance with Laws. Seller's conduct of its business has not violated in any respect, and is in compliance in all respects with, any and all local, state, federal, and foreign laws, statutes, ordinances, regulations, rules, codes, judgments, decisions, decrees, and orders ("Laws"). Neither Seller nor Equity Holder has received any notice or complaint to the effect that, or otherwise been advised that, it is not in compliance with or it is in violation of any such Law. Seller has timely filed all material reports, registrations and statements required to be filed by it with any governmental body, and has paid all related fees and assessments due and payable, in each case with respect to the Stores. None of Seller, Equity Holder, nor any parent, subsidiary or other affiliate of Seller, nor any director, member, manager, office or employee of Seller or any such affiliate has been notified, or is aware of, of any inquiry, investigation or similar proceeding from any governmental body, been sanctioned, or had a sanction proposed, by any governmental body, or received or filed for any Medicare or Medicaid overpayments or other improper billings with respect to the Stores. All Medicare, Medicaid and third-party reports and claims filed or required to be filed with respect to the Stores have been timely filed and are complete and accurate in all material respects. Such reports and claims properly claim and disclose all information and other items to be disclosed for the periods covered thereby. None of Seller, Equity Holder, nor any parent, subsidiary or other affiliate of Seller, nor any director, member, manager, office or employee of Seller or any such affiliate has been disciplined or sanctioned, or has had a discipline or sanction proposed, by any governmental body or excluded from participation in any government healthcare payment program, including Medicare or Medicaid, nor are any of the foregoing persons aware of any pending or threatened discipline, sanction, inquiry, investigation or government action that may lead to such exclusion, fine or other remedy. Seller is in compliance with, and has submitted all reports and other information required by, all prescription monitoring programs or other similar programs maintained by governmental or regulatory authorities and is not aware of and has not received any notice of, or otherwise been advised of, any errors in any such submissions.

(f) Employees; Labor Matters. (i) Set forth on Schedule 5(f) is a complete and correct list of all Eligible Employees (as defined herein) of the Store and the dates of employment for such employees. Except as set forth on Schedule 5(d), Seller has complied and is in compliance with, in all respects, applicable legal requirements pertaining to the employment of labor, including but not limited to those relating to wages, benefits, hours, FMLA, ADA accommodations, collective bargaining, discrimination, drug testing, polygraphs, harassment, retaliation or wrongful discharge, or requiring leave or other accommodation or otherwise

regarding terms and conditions of termination from employment, worker's compensation, immigration, plant closings and unemployment compensation, and there are no claims, causes of action, charges, suits, complaints, administrative proceedings, arbitrations, material labor grievances, or government investigations or proceedings, pending or, to the knowledge of Seller, threatened against Seller in connection therewith. Neither Seller nor Equity Holder has received notice of, and neither Seller nor Equity Holder has knowledge of any matter that could reasonably form the basis for, any such claims. Seller is not the subject of a proceeding asserting that it has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Seller to bargain with any labor organization as to wages or conditions of employment. Seller is not a party to or bound by any collective bargaining agreement and there are no collective bargaining agreements covering any employees or officers of Seller. There is no strike, work slowdown or other labor dispute (except as set forth on Schedule 5(d)) involving Seller pending, or to the knowledge of Seller, threatened. No collective bargaining agent has been certified as a representative of any of such employees or officers of Seller, and to the knowledge of Seller and Equity Holder, there has been no recent, and there is no current, activity involving employees of Seller to certify a collective bargaining unit or engaging in other organizational activity.

(ii) Each written or verbal "employee benefit plan," as defined in Section 3(3) of ERISA, each employment, severance or similar contract, plan, arrangement or policy and each other plan or arrangement (written or oral) providing for compensation, bonuses, profit-sharing, stock option or other stock-related rights or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), health or medical benefits, employee assistance program, disability or sick leave benefits, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance benefits) which is or is required to be maintained, administered or contributed to by Seller, Seller's business or any entity that would be deemed an ERISA Affiliate of any of Seller, or the business of the Stores under ERISA or the Internal Revenue Code (an "ERISA Affiliate") or with respect to which Seller, the Stores or the business of the Stores or an ERISA Affiliate is or has been obligated at any time during the six (6) years preceding the date hereof in any manner whatsoever (each a "Benefit Plan") that is intended to be qualified under Section 401(a) of the Internal Revenue Code is so qualified and has received a determination letter or is subject to an opinion (or similar) letter to that effect from the Internal Revenue Service, and no circumstances exist which would reasonably be expected to adversely affect such qualification. Each Benefit Plan is in compliance with all applicable laws. No Benefit Plan is a defined benefit plan, a multiemployer plan, a multiple employer plan, or a multiple employer welfare arrangement, and neither Seller nor Seller's business nor any ERISA Affiliate has or could have any withdrawal liability, contingent or otherwise, under Title IV of ERISA. No Benefit Plan provides for post-employment health or welfare benefits, other than as required under COBRA. Neither the execution or delivery of this Agreement nor the consummation of the transaction contemplated herein shall result in any payment that, alone or aggregated with any other payment(s) made at any time whatsoever, could constitute an "excess parachute payment" as defined in Section 280G(b)(1) of the Internal Revenue Code.

(iii) Seller has no agreements with any of its officers or employees at the Stores which contain any provisions relating to non-competition, non-solicitation, non-disclosure or similar provisions.

(g) No Violation or Conflict. Neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder, by Seller or Equity Holder is a violation of any provision of its articles of incorporation, organization or bylaws, or any law, rule, regulation, order, writ, injunction, judgment, decree, contract, or other obligation to which it is a party or to which it, the Stores or the Assets are subject.

(h) Consents. No consent or approval by, or filing with, any governmental authority or any other person or entity is required in connection with the execution and delivery by Seller of this Agreement or the consummation by Seller of the transactions contemplated hereby.

(i) Taxes. All federal, state, county, and local tax and other returns and reports required and due to be filed with respect to Seller, the Assets, or both have been filed, and all taxes, levies, license and registration fees, charges or withholdings of any nature whatsoever, including, without limitation, excise, sales, use, transfer, property gains, and ad valorem taxes (collectively, "Taxes") have been paid, or adequate provision for the payment thereof has been made. Buyer will not be responsible for, and Buyer specifically assumes no obligations to pay, any Taxes or withholding any Taxes or any other similar liability or obligation of Seller. Seller is not in default of the payment of any Taxes due or payable or of any assessments received in respect thereof and Seller has not waived any statute of limitations in connection with, or granted any extension of a period for the assessment of, any Tax. Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445.2.

(j) Disclosure. Neither this Agreement nor any of the schedules or exhibits hereto contains or will contain when delivered at Closing any untrue statement by Seller of a material fact or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading.

(k) Prescriptions; Seller's Rx Data. All prescriptions filled at the Stores have arisen from bona fide, legal transactions. Seller's Rx Data has been accessed, collected, compiled, disclosed, maintained, and stored in compliance with any and all local, state, federal, and foreign laws, statutes, ordinances, regulations, rules, codes, decisions, decrees, and orders, and are consistent with industry standards and clinical guidelines applicable to pharmacists and licensed prescribers. Seller's Rx Data is complete and accurate. Except as set forth on Schedule 5(k) (which, if applicable, shall include the weekly prescription volume of each line of Non-standard Business conducted at any Store), none of the prescriptions filled at the Stores result from any Non-standard Business. As used in this Agreement, "Non-standard Business" means (A) compounding, including both sterile and non-sterile compounding, (B) filling prescriptions that involve any unique, customized or non-standard packaging, including prescriptions filled for patients in assisted or independent living facilities, nursing homes, hospice facilities or other long-term care facilities (each a "Facility"), (C) any business conducted pursuant to Section 340B of the Public Health Service Act, (D) any non-prescription business (including durable medical equipment) done through the pharmacy computer and included in the prescription count, (E) any prescriptions filled pursuant to any contract, agreement or understanding (other than a standard contract agreement or understanding with any third party payor or government payor providing health care coverage to individuals), or (F) any other business outside the scope of a customary retail pharmacy or retail drug-store business. With respect to any prescriptions disclosed on Schedule 5(k) which result from the Non-standard Business described in clause (B) above, Seller represents and warrants that (i) all such prescriptions are picked up or delivered directly to the patients and billed directly to the third party providers, (ii) Seller is not the

exclusive pharmacy provider to any Facility, (iii) Seller does not have any contract with any Facility to provide pharmacy or other services to such Facility, (iv) Seller does not provide any products or services, including consulting services, to any Facility. Neither Seller nor any parent, subsidiary or any affiliate of Seller leases to, manages, has an ownership interest in, or is otherwise affiliated with any Facility.

(l) Controlled Substances Inventory. To the extent required by applicable law or DEA regulations in the context of the transaction contemplated by this Agreement, Seller has undertaken and delivered to Buyer a complete and accurate inventory of all controlled substances.

(m) DEA Recordkeeping. Seller has provided, or will have provided as of the Closing, to Buyer all records in its possession that are required to be maintained by DEA regulations for the prior two (2)-year period.

(n) Third Party Payors and Providers. Set forth on Schedule 5(n) is a complete and correct list of Seller's third party prescription payors and providers, with provider numbers, bin numbers, processor numbers, and volumes by plan (with time frame referenced, e.g., 1 year, 90 days, etc.).

(o) Insurance. Seller is insured with responsible insurers (including, without limitation, general liability insurance coverage covering the Assets) against risks normally insured against by similar businesses under similar circumstances.

(p) Prohibited Persons and Transactions. Neither Seller nor Equity Holder (i) is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action, and (ii) has been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering.

(q) Real Estate. Seller or its affiliate is the sole tenant under each of the lease agreements described on Schedule 5(q) attached hereto (each, an "Existing Lease" and, collectively, the "Existing Leases"), pertaining to each Store. Seller has delivered correct and complete copies of the Existing Leases to Buyer. The Existing Leases are in full force and effect and neither Seller nor the applicable landlord is in breach of or default under any Existing Lease and no event has occurred which, with notice, lapse of time, or both, would constitute a breach or default by any party thereunder. Seller represents that the term of each Existing Lease expires on the date set forth on Schedule 5(q). Notwithstanding anything to the contrary contained herein, Seller shall cause its tenancy, or its affiliate's tenancy as the case may be, under each of the Existing Leases to be maintained through the Date of Inventory for the applicable Store.

(r) Other Pharmacies. Except for the Stores, there are no drug stores or pharmacies (retail or otherwise) owned, in whole or in part, directly or indirectly, by Seller, or any parent, subsidiary or other affiliate of Seller.

(s) Ownership. Equity Holder owns all of the outstanding shares in MedAvail, Inc., which owns all of the outstanding shares in Seller free and clear of any lien or other encumbrance. There are no options, warrants, calls, rights, agreements, arrangements or undertakings of any kind (contingent or otherwise) obligating Seller to issue, deliver or sell, or cause to be issued, delivered or sold, any shares of stock, membership interests, partnership interests or any other securities of Seller.

The foregoing representations and warranties shall survive the Closing and remain in full force and effect thereafter.

6. REPRESENTATIONS AND WARRANTIES OF BUYER.

As of the execution of this Agreement and the Closing, the Buyer represents and warrants to Seller as follows:

(a) Organization and Authorization. Each Buyer entity listed on Exhibit A is duly formed, validly existing and in good standing under the laws of its state of formation and in good standing in all other states in which it conducts its business. Buyer has the requisite power and authority to execute and deliver this Agreement and perform their respective obligations hereunder. This Agreement has been duly and validly authorized, executed, and delivered by Buyer and constitutes the legal, valid, and binding obligations of Buyer enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, and other similar laws affecting the enforceability of creditors' rights generally, general equitable principles, and the discretion of courts in granting equitable remedies.

(b) Financing. Buyer's obligation to consummate the transactions is not and will not be subject to the receipt by Buyer of any financing or the consummation of any other transaction.

7. CONDITIONS PRECEDENT.

It is agreed that the obligations of Buyer under this Agreement are strictly contingent upon and subject to the satisfaction of each of the following conditions precedent on or before the first Date of Inventory (or such other date expressly provided below):

(a) Corporate Approval. Approval of the transaction by the CVS Real Estate Committee in its sole discretion.

(b) Closing Certifications. Seller will have performed and complied in all material respects with all agreements, covenants and obligations contained in this Agreement that are required to be performed or complied with by it at or prior to the Closing and each of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on each Date of Inventory as though made on such Date of Inventory.

(c) No Material Adverse Change. Since the date of this Agreement, there will not have been any material adverse change in the Assets or the business, operations, results of operations or condition (financial or other) of the Stores, and no event has occurred or circumstance exists that may result in such a material adverse change.

(d) Closing Documents. Buyer will have received:

(i) on or before each Date of Inventory, a fully executed Bill of Sale in the form attached hereto as Exhibit B-1;

(ii) on or before each Date of Inventory, a fully executed Closing Statement in the form attached hereto as Exhibit B-2;

(iii) on or before the initial Date of Inventory, the updated creditor list and all terminations, pay-off letters and other documents required pursuant to the terms of Section 4(e) hereof;

(iv) on or before the initial Date of Inventory, a certificate, duly executed by an authorized officer of Seller, certifying that Seller has satisfied the conditions set forth in Sections 6(b) and 6(c), to the extent applicable as of such date;

(v) on or before the initial Date of Inventory, a certificate duly executed by the Secretary of Seller, (1) certifying the names of the officers of Seller authorized to sign this Agreement and the other documents, instruments or certificates to be delivered pursuant to this Agreement, together with the true signatures of such officers, (2) attaching a copy of the articles of incorporation of Seller and a copy of the bylaws of Seller, (3) certifying a copy of the resolutions of the directors (or other applicable governing body) and the Equity Holder evidencing the approval of this Agreement and the consummation of the transactions contemplated hereby, and certifying that there are no other approvals from Seller's directors (or other applicable governing body) or Equity Holder required for the execution of this Agreement and the consummation of the transactions contemplated hereby, and (4) attaching a certificate of good standing (or its equivalent) for Seller, certified by the appropriate authority from the applicable State of incorporation within ten (10) days prior to the Date of Inventory;

(vi) on or before the initial Date of Inventory, a properly completed IRS Form W-9 for Seller and any secured creditors or other parties receiving payment from Buyer pursuant to the terms of this Agreement; and,

(vii) on or before the initial Date of Inventory, the wiring instructions for each account of Seller and any secured creditors or other parties receiving payment from Buyer pursuant to the terms of this Agreement, on receiving bank letterhead and in form and substance otherwise acceptable to Buyer.

(e) No Governmental Order. No applicable Law or governmental order, judgment, decree or ruling shall be, or shall be threatened by any governmental authority to be, in effect (i) restraining, enjoining, preventing, prohibiting, or imposing additional conditions on the Closing or the transactions contemplated hereby, or limiting, or threatening to limit, in any manner, the right of Buyer or any applicable Buyer assignee to control any aspect of the Assets not yet transferred or transferred in connection with such Closing, or (ii) compelling, or threatening to compel, Buyer or any of its affiliates to dispose of any portion of the Assets or the business or assets of any Buyer or any of its affiliates.

(f) Transfer of Seller's Rx Data. The conversion and transfer of Seller's Rx Data to Buyer, as contemplated in Section 1 hereof, shall be complete.

(g) Prescription Monitoring Compliance. Prior to Closing, at Buyer's request, Seller shall have provided Buyer with evidence of Seller's compliance with applicable prescription monitoring programs or similar programs, including, without limitation, evidence that there are no outstanding errors in Seller's submissions pursuant to such programs, in form and substance satisfactory to Buyer in its reasonable discretion.

In the event that any of the foregoing conditions precedent to Buyer's obligations hereunder shall have failed to occur on or before the initial Date of Inventory (or such other date as expressly herein provided), Buyer may, at its option and without limiting its other rights and remedies hereunder, at law or in equity, terminate this Agreement by giving written notice to Seller.

8. NON-COMPETITION COVENANTS.

(a) Covenant. Each of Seller and Equity Holder agree, on behalf of his/her/themself/itself and his/her/their/its respective affiliates, that he/she/they/it will not, and will not permit his/her/their/its respective affiliates to, individually and collectively, directly or indirectly, during the period commencing on the last Date of Inventory and expiring on the fifth (5^{th}) anniversary of the last Date of Inventory (the "Restrictive Period"): (i) anywhere within the States of Arizona, Florida and Michigan and the following counties within the State of California: Los Angeles County, Orange County, San Diego County, Ventura County and Santa Barbara County (collectively, the "Territory"), be employed by, form, acquire, invest in, finance, lease or sublease to, own, operate, manage, assist, support, whether as an equity holder, partner, lessor, lessee, member, joint venture, advisor, employee, consultant, independent contractor or otherwise, an enterprise (a "Competing Business") which is engaged in the business of any pharmacy (retail or otherwise), drug store and/or health and beauty aid store or similar operation, or selling or otherwise providing any other products or services competitive with, or having the same applications as, any products or services now sold by Seller in the conduct of its business; (ii) hire, engage, employ or interfere with, or attempt to hire, engage, employ or interfere with, either directly or indirectly, any employees, representatives or agents of Buyer, or any affiliates controlling, controlled by, or under common control with Buyer (an "Affiliate"), in the Territory, or induce or attempt to induce, either directly or indirectly, any of them to leave the employ of Buyer or any Affiliate, or violate the terms of his or her contract with Buyer or any Affiliate, except by way of general job advertisements; or (iii) call upon, solicit, advise or otherwise do or attempt to do, business with any clients, suppliers, customers or accounts of the business of Seller or Buyer or any Affiliate in the Territory or take away or interfere or attempt to take away or interfere with any custom, trade, business or patronage of the business of Seller or Buyer or any Affiliate in the Territory.

In addition, Seller and Equity Holder agree, on behalf of themselves and their affiliates, as applicable, as tenant under the Existing Leases, for the lesser of (i) two (2) years from the applicable Date of Inventory, and (ii) any earlier expiration or termination date of the applicable Existing Lease (herein referred to as the "Restricted Period" for each Store), not to use, permit the use of, sell, license, lease, sublease, or otherwise transfer such Store (or any portion thereof) for the purpose of a pharmacy, drug store, or health and beauty aid business. During the Restricted Period for each Store, Seller shall continue to pay rent and fulfill any and all of its obligations under the Existing Lease for such Store.

(b) Consideration. Seller and Equity Holder each acknowledge that he/she/they/it will receive substantial benefit from the purchase of the Assets hereunder and that the purchase of the Assets hereunder shall be deemed to be good and sufficient consideration for said covenant not to compete. Seller and Equity Holder acknowledge and agree that (i) the foregoing covenants are a material inducement to Buyer to enter into this Agreement, and Buyer is doing so in reliance upon each of Seller and Equity Holder agreeing to be bound by such covenants; and (ii) in light of such reliance, the amount allocated herein is not intended by the parties as a measure of damages that might be incurred by Buyer in the event of a breach of any such covenant.

(c) Remedies. Seller and Equity Holder hereby agree that if any or all shall breach the provisions of this Section 8, it may cause irreparable damage to Buyer and in the event of such breach Buyer shall have available all its right and remedies at law or in equity, including, without limitation, the right to a reimbursement from Seller of the consideration paid hereunder and the right to injunctive relief. The terms and provisions of this Section 8 shall survive the Closing.

(d) Retained Business. Buyer acknowledges that MedAvail Technologies (US), Inc., a Delaware corporation, and MedAvail Technologies (Canada), Inc., an Ontario corporation, affiliates of Seller and subsidiaries of Equity Holder, operate a healthcare technology business that licenses and/or sells its proprietary hardware and software to pharmacies and other healthcare companies. Such licensing or sale of such hardware or software to a Competing Business by or on behalf of MedAvail Holdings, Inc., MedAvail, Inc, MedAvail Technologies (US), Inc. and MedAvail Technologies (Canada), Inc. shall not be a violation of Section 8(a).

9. **ACCESS TO INFORMATION.**

(a) PHI. After the Closing, Buyer shall use commercially reasonable efforts to make the Protected Health Information (as defined hereinafter) that is part of Seller's Rx Data available for access to patients and disclosure to other authorized third parties in accordance with the Health Insurance Portability and Accountability Act of 1996, as amended by Subtitle D of the Health Information Technology for Economic and Clinical Health Act, Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (the "HITECH Act") and the federal regulations ("HIPAA Rules") published at 45 CFR parts 160 and 164 and any applicable state privacy and security laws regarding individually identifiable health information and other applicable laws. For the purposes of this Agreement, Protected Health Information shall have the same meaning as such term is defined in 45 CFR 160.103. Seller acknowledges and agrees that notwithstanding the foregoing, Buyer shall not assume any legal obligations or liabilities of Seller under the HIPAA Rules relating to any uses and disclosures of Protected Health Information made prior to the Closing. All inquiries, including those relating to patient rights or the Seller's obligations under the HIPAA Rules relating to any uses and disclosures of Protected Health Information made prior to the Closing shall be forwarded to Seller or its designated agent for handling. For a period of six (6) years after Closing, Seller shall maintain HIPAA records as required by HIPAA Rules and can be contacted at the notice address set forth on Page 1 hereof with respect to any inquiries related thereto. Seller further agrees to provide Buyer written notice within five (5) business days of any change of address.

(b) RX Data. Seller shall retain copies of Seller's Rx Data transferred to Buyer pursuant to this Agreement to the extent required by, and in accordance with, applicable law.

Following Closing, Seller and Buyer each shall preserve in accordance with the applicable record keeping requirements and regulations of Medicare, Medicaid, the FDA, the DEA and state pharmacy boards in jurisdictions that Seller and Buyer conduct business all records possessed by such party relating to the business at the Stores prior to the Closing. To the extent permitted in accordance with the HIPAA Rules and other applicable laws, Buyer hereby agrees to make available to Seller, in a form reasonably determined by Buyer, copies of Seller's Rx Data transferred to Buyer pursuant to this Agreement if, after the Closing and for a legitimate business reason, Seller requires copies of such Seller's Rx Data.

To the extent Seller retains or is given access to Seller's Rx Data, Seller agrees to hold all such documentation and information in confidence and to take commercially reasonable measures to prevent any unauthorized disclosures thereof. Seller further agrees that it will not use Seller's Rx Data for any purpose after Closing except as required by law, in connection with pending litigation, or the resolution of third party claims. Without limiting the foregoing, neither Seller nor any of its affiliates will solicit, whether by mail, internet or any other means, any of the patients whose records are being transferred to Buyer pursuant to this Agreement. In the event that Seller is requested or required by law, subpoena, court order, or other similar legal process to disclose all or any portion of Seller's Rx Data transferred to Buyer pursuant to this Agreement, Seller may make such disclosure, provided it will provide Buyer with prompt written notice thereof.

The terms and provisions of this Section 9 shall survive the Closing.

10. **INDEMNIFICATION.**

(a) Buyer's Indemnification Obligation. Buyer shall indemnify and defend Seller and Equity Holder, their subsidiaries and affiliates, and each of their respective directors, members, managers, officers, employees and agents (each, a "Seller Indemnified Party"), and hold each Seller Indemnified Party harmless, from and against any and all losses, costs, expenses, claims, damages, liabilities, actions, proceedings, investigations, injunctions, judgments, orders, rulings, fines (and interest and penalties, if any) (collectively, "Losses"), including, without limitation, court costs and reasonable attorney's fees, arising out of or resulting from (i) any breach of any representation or warranty of Buyer contained in or given in writing pursuant to this Agreement, or in any other agreement or instrument delivered in connection herewith, (ii) any breach or nonfulfillment by Buyer of any covenant or obligation contained in this Agreement or in any other agreement or instrument delivered in connection herewith, or (iii) Buyer's possession or use of the Assets, or Buyer's related operations, after the Dates of Inventory.

(b) Seller's Indemnification Obligation. Seller and Equity Holder shall jointly and severally indemnify and defend Buyer, its subsidiaries and affiliates, and each of their respective directors, members, managers, officers, employees and agents (each, a "Buyer Indemnified Party"), and hold each Buyer Indemnified Party harmless, from and against any and all Losses, including, without limitation, court costs and reasonable attorney's fees, arising out of or resulting from (i) any breach of any representation or warranty of Seller or Equity Holder contained in or given in writing pursuant to this Agreement; (ii) any breach or nonfulfillment by Seller or Equity Holder of any covenant or obligation contained in this Agreement; (iii) any and all liabilities and obligations of every nature and description of Seller and Equity Holder, including, without limitation, recoupment of any amounts due or that may become due from Seller to Medicare, Medicaid, or any other health care reimbursement or payment intermediary,

or other third party-payor resulting from or arising out of the conduct of business at the Stores to the extent such amounts are attributable to any period prior to the Closing, or any other form of Medicare or other health care reimbursement recapture, adjustment, or overpayment whatsoever, including fines and penalties, with respect to any period prior to the Closing; (iv) Seller's possession or use of the Assets, the Premises or the Store up to and including the Dates of Inventory, Seller's operations prior to or on the Dates of Inventory, Seller's third party provider numbers or licenses, or any other events, acts or omissions of Seller which occurred prior to or on the Dates of Inventory; or, (v) any Losses arising out of or relating to the WARN Act or any similar state or local Law and Seller's failure, or alleged failure, to comply with the terms thereof. The terms and provisions of this Section 10 shall survive the Closing.

(c) Survival. The representations and warranties of Seller and Buyer contained in this Agreement shall survive the Closing for the applicable periods set forth in this Section 10. Any and all claims and causes of action for indemnification under this Section 10 arising out of the inaccuracy of breach of any representation or warranty of Seller or Buyer must be made prior to the termination of the applicable survival period (if any). In the event that notice of any claim or cause of action for indemnification shall have been given in accordance with this Section 10 within the applicable survival period (if any), the representations, warranties, covenants and undertakings that are the subject of such claim or cause of action shall survive until such time as such claim or cause of action is finally resolved.

(d) The representations and warranties of Seller and Buyer contained in this Agreement and any and all claims and causes of action for indemnification under this Section 10 with respect thereto shall terminate on the third anniversary of the last Date of Inventory; provided, however, that (i) the representations and warranties of Seller contained in Section 5(a), Section 5(b), 5(d), 5(e), 5(g), 5(i) and 5(s), and Section 13, and the representations and warranties of Buyer contained in Section 6(a) and Section 13 (collectively, the "Fundamental Representations") shall survive until the expiration of the applicable statute of limitations plus sixty (60) days, and (ii) any claims based on fraud, willful misconduct or intentional misrepresentation shall survive indefinitely.

11. **BULK SALES LAWS.**

Seller acknowledges and agrees that Buyer may comply with the requirements of applicable bulk sales laws or any other laws with respect to the protection of creditors or successor tax liability (collectively, "Bulk Sales Laws"). Seller will cooperate with Buyer to provide any information necessary to comply with applicable Bulk Sales Laws. In the event that Buyer receives notice that Seller owes any unpaid amounts, is scheduled for a review, or is under an audit with respect to any bulk sales tax or other payment, Buyer may, at its option, terminate this Agreement, delay the Closing until Buyer receives evidence satisfactory to Buyer that such amounts have been paid or such review or audit has been completed, or withhold any amounts from the Purchase Price required to be withheld by the applicable governmental authorities until Buyer receives authorization from such authorities to release such amounts.

Notwithstanding anything contained herein to the contrary, Buyer does not assume any of Seller's obligations or liabilities with respect to any applicable Bulk Sales Laws, including, without limitation, any obligations or liabilities of Seller which may pass to Buyer due to Seller's non-compliance with any Bulk Sales Laws, and Seller shall defend, indemnify and hold Buyer

harmless from and/or reimburse Buyer for, any and all claims, liabilities or obligations, including the expense of defense thereof, which Buyer may suffer or incur by virtue of such Bulk Sales Laws, including, without limitation, any and all claims, liabilities or obligations, including the expense of defense thereof, arising from any noncompliance with any such Bulk Sales Laws. The terms and provisions of this Section 11 shall survive the Closing.

12. **EMPLOYMENT.**

(a) Notwithstanding anything contained herein to the contrary, Buyer, Seller and Equity Holder agree that Buyer has not offered any terms of employment to any employees of Seller or its affiliates as consideration for the sale contemplated herein. Buyer may (but is under no obligation to) hire certain employees (collectively, the "Eligible Employees"), provided such employees meet Buyer's standards for similarly situated employees and subject to satisfactory completion of Buyer's standard hiring process and procedures (including, without limitation, drug and background checks). The parties acknowledge that Buyer shall be free to exercise full discretion in applying its customary standard hiring practices, processes, procedures and policies. It is agreed that in the event that any Eligible Employees of Seller shall be employed by Buyer as the result of the Closing of the transaction contemplated herein, then each such individual Eligible Employee of Seller shall be an "employee-at-will" of Buyer, and Buyer shall have no contractual obligation with regard to such employment, except that, for purposes of the participation of any such hired Eligible Employees in the Buyer's 401(k) and applicable welfare plans, the Buyer shall cause such plans to take into account, for purposes of eligibility thereunder, the pre-Closing service of such Eligible Employees as if such service was with Buyer or its Affiliates to the same extent such service was recognized by the Seller immediately prior to the Closing under the comparable Seller benefit plan, in all cases to the extent allowed under ERISA, the Internal Revenue Code and other applicable law.

(b) Notwithstanding anything contained herein the contrary, Buyer is not assuming any liability or obligations related to any of Seller's employees, terminated employees or other employees of Seller or related to the Store, including, without limitation: (i) any accrued salaries, wages, vacation, payroll Taxes, retirement plan payables, liability for any U.S. Equal Employment Opportunity Commission claim, wage and hour claim, unemployment compensation claim or workers' compensation claim or personnel policy, or any lawsuit, putative or pending, arising from events occurring or conditions existing on or prior to the Closing; (ii) any obligation to offer them continued employment, further leave, reinstatement or reassignment or to offer them or their qualified beneficiaries the opportunity to elect health care continuation coverage, compensation and other benefits, any obligation under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), vacation or sick time, payroll Taxes, leave of absences (e.g., FMLA benefits), retirement plan payables and any liabilities or obligations with respect to any Benefit Plan or any other employee benefit or retirement plan or policy or any liabilities or obligations arising from the termination or liquidation of any Benefit Plan; (iii) any liability or potential liability for any claims arising out of any employee's employment or termination of employment with Seller, including but not limited to, contract, wrongful termination, unfair labor practices, discrimination or retaliation, failure to accommodate, ERISA, wage and hour, FMLA or other protected leave time, tort, unemployment compensation, workers' compensation, or claim for violation of personnel policy or practice; and (iv) any liability or obligation relating to or arising with respect to any individual acting as an independent contractor of Seller or with respect to the Store or any Benefit Plan, including any liability relating to the termination of such independent contractor relationship, or

characterization thereof, on or prior to the Closing. Without limiting the foregoing, no Benefit Plan, or obligation or liability related to any Benefit Plan, will be transferred to Buyer or any of its Affiliates or to any plan of Buyer or any of its Affiliates, and all such Benefit Plans and related obligations and liabilities will remain with Seller, whether prior to, on or after the Closing, other than to the extent accepted by Buyer after the Closing in its sole and absolute discretion as a qualified rollover. Without limiting the foregoing, Seller shall maintain its health plan and/or otherwise provide and maintain continuing COBRA coverage to its employees through the maximum COBRA period after the Closing, and will be solely responsible for all wages, benefits, sick leave, vacation or other paid time off accrued, but not yet taken, by its employees and shall pay such amounts to the extent accrued with respect to periods prior to the Closing as of the Closing, and Seller shall comply with all other terms and conditions of employment or the termination thereof with respect to its employees, including any COBRA obligations, and will reimburse and hold harmless the Buyer and its affiliates in respect of any obligations arising out of such terms and conditions.

(c) There has been no "mass layoff" or "plant closing" as defined by the Worker Adjustment and Retraining Notification Act of 1998 (the "WARN Act") in respect of Seller and Seller has not been affected by any transactions or engaged in layoffs or employment terminations sufficient in number to trigger application of any state, local, or foreign law or regulation which is similar to the WARN Act. Seller shall be responsible for any notifications and liability under the WARN Act and any similar state or local Law or regulation relating to “plant closing” or “mass layoff” (in each case as defined in the WARN Act) or group termination or similar event with respect to employees who are terminated by Seller on or prior to the Closing (including as a result of the consummation of the transactions contemplated under this Agreement).

(d) It is expressly agreed and understood that neither Buyer nor Seller has any right, power or authority to control, direct or regulate the labor relations and human resources policies and procedures of the other, that neither is deemed to constitute the agent or representative of the other, and that neither is liable in any manner whatsoever for the acts or omissions of the other, its agents, representatives or employees. Seller shall have sole and exclusive responsibility for the operation and management of the Stores and the Assets at all times prior to the Closing, for the employment and control of its employees, for compliance with all applicable Laws governing the employment relationship with its employees, and for compliance with the terms of any Benefit Plan.

(e) No provision of this Section 12 shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller or of any of its affiliates in respect of continued employment (or resumed employment) with Buyer or any of its affiliates and no provision of this Section 12 shall create any such rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any Benefit Plan or any plan or arrangement which may be established by Buyer or any of its affiliates. No provision of this Agreement shall constitute a limitation on rights to amend, modify or terminate any such plans or arrangements of Buyer or any of its affiliates.

The terms and provisions of this Section 12 shall survive the Closing.

13. **BROKERS.**

The parties each represent and warrant to the other that their negotiations relative to this Agreement have been carried on by them directly, and in such a manner as not to give rise to any claims against either party for a brokerage commission, broker's fee, finder's fee or other similar fee or payment other than Triavo Health ("Seller's Broker"). Seller is solely responsible the payment of any fee, commission or other payment due to Seller's Broker. Notwithstanding anything contained herein to the contrary, in no event shall Buyer have any liability or obligation with respect to any commission, fees, or expenses of, or any other payment to, Seller's Broker and Seller shall defend, indemnify and hold Buyer harmless from any and all claims for said commissions, fees and other payments, including, without limitation, any damages, costs and attorneys' fees or expenses incurred by Buyer related to any such claim. Each party shall defend, indemnify and hold the other harmless from any and all other claims for said commissions, fees and other payments based upon its acts, including, without limitation, any damages, costs and attorneys' fees or expenses incurred by the indemnified party related to any such claim. The terms and provisions of this Section 13 shall survive the Closing.

14. **CONFIDENTIALITY.**

(a) Confidentiality. Buyer and Seller hereby covenant and agree to keep the existence of this Agreement, the terms and conditions of this Agreement, and any discussions, negotiations or other non-public information relating to this Agreement confidential and to not disclose the same to any person or entity, including without limitation, employees and customers of Seller, except to the extent (i) approved by the other party in writing, which approval shall not be unreasonably withheld, conditioned or delayed, (ii) expressly permitted hereunder or otherwise necessary to carry out the party's respective obligations hereunder, or (iii) required by law, subpoena or court order. Without limiting the foregoing, no press release, news release, media release, press statement or comment, social media communication, or other similar public announcement or communication related to this Agreement or the transactions contemplated hereby will be issued by Seller or any affiliates without the prior written approval of Buyer, which shall not be unreasonably conditioned, delayed or withheld. The terms and provisions of this Section 14(a) shall survive the Closing.

(b) Permitted Announcements. Notwithstanding the foregoing, following the full execution of this Agreement, Seller shall disclose the existence of the transactions contemplated hereby to Seller's employees. Following such disclosure, if and as directed by Buyer, Seller shall provide notification of the transactions contemplated hereby to Seller's customers, including, without limitation, by posting signs in the Premises, bag tags and/or mailers. All such notifications shall be in a form provided by Buyer or otherwise subject to Buyer's prior approval.

15. **SURVIVAL.**

The representations, warranties and indemnities contained in this Agreement, and any covenants and agreements contained herein that by their terms expressly survive the Closing or contemplate performance after the Closing, shall survive the Closing and continue in full force following the Closing.

16. **MISCELLANEOUS.**

(a) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of Delaware.

(b) Severability. If any term or provision of this Agreement or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(c) Notices. Any notice, request or other document to be given hereunder to any party shall (i) be in writing, (ii) delivered personally, sent by certified mail, postage prepaid, or sent by a commercially recognized overnight courier, provided a receipt is required, and (iii) if to Buyer, addressed to it at the address provided on Page 1 hereof, and if to Seller, addressed to it at the address provided on Page 1 hereof, or at such other address as any party hereto shall indicate by writing as herein provided.

(d) Assignment; Successors and Assigns. Buyer shall have the absolute right to assign this Agreement, in whole or in part, or any of its rights or obligations hereunder, and/or designate another party to take title to all or any of the Assets, without the consent of Seller, including but not limited to, an assignment of the rights of Buyer under Section 7. If requested by Buyer, Seller shall cooperate by giving Buyer written acknowledgement of any notice of such assignment and/or designation received from Buyer in connection therewith. Seller may not assign this Agreement, or any rights or obligations hereunder, without the written consent of Buyer. This Agreement shall bind and inure to the benefit of the parties hereto and, subject to foregoing, their respective heirs, representatives, successors and assigns. This terms and provisions of this Section 16(d) shall survive the Closing.

(e) Waiver of Trial by Jury. The parties hereto waive to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim brought by either of such parties against the other with respect to any matter whatsoever arising out of or in any way connected with this Agreement.

(f) Headings; Construction. The headings of the Sections herein are inserted for convenience of reference only and will be ignored in the construction or interpretation hereof. Unless the context clearly requires otherwise, (i) whenever the words “including”, “include” or “includes” are used in this Agreement, they shall be interpreted in a nonexclusive manner, and (ii) “or” is not exclusive.

(g) Further Assurances. Following the Closing, the parties will execute and deliver such documents and take such other actions as may be reasonably requested from time to time by Buyer or Seller in order to fully consummate the transactions contemplated hereby.

(h) Third Party Beneficiaries. Nothing in the Agreement will be construed to confer any right, benefit or remedy upon any person or entity that is not a party hereto or a permitted assignee of a party hereto, except as otherwise expressly set forth in this Agreement.

(i) Schedules and Exhibits. All schedules and exhibits to this Agreement are an integral part of this Agreement and are incorporated herein by reference for all purposes of this Agreement.

(j) Entire Agreement. This Agreement and the agreements, exhibits, schedules and certificates referred to herein or delivered pursuant hereto constitute the entire agreement between the parties hereto with respect to the purchase and sale of the Assets and supersedes all prior agreements and understandings.

(k) Amendment; Waiver. This Agreement may be amended, supplemented or otherwise modified only by an agreement in writing signed by both parties hereto. The waiver by a party of any breach of any provision of this Agreement will not constitute or operate as a waiver of any other breach of such provision or of any other provision hereof, nor will any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof.

(l) Attorneys' Fees. In the event a party shall be required to commence or defend any action or proceeding against any other party by reason of any breach or claimed breach of any provision of this Agreement, to commence or defend any action or proceeding in any way connected with this Agreement or to seek a judicial declaration of rights under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover from or to be reimbursed by the other party for the prevailing party's reasonable and actual attorneys' fees and costs through all levels of proceedings.

(m) Counterparts; Electronic Signatures. This Agreement may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument. Buyer and Seller agree that a facsimile or .pdf signature on this Agreement is as valid as an original signature.

(n) Arms-Length Transaction. Each of Buyer and Seller hereby acknowledge and agree that (i) it is not the purpose of this Agreement or any of the transactions contemplated hereby to exert influence in any way over the judgment of any party with respect to the referral of patients or business, (ii) it is the intent of the parties that any referrals that may be made by Seller to Buyer's business shall be based solely upon the professional judgment and discretion of the referring party while acting in the best interests of the patient, and (iii) the consideration hereunder is consistent with fair market value in an arm's length transaction and no part of the purchase price or other amounts payable hereunder takes into consideration the volume or value, if any, of referrals or business generated between the parties.

(o) Force Majeure Event. Neither party to this Agreement is liable nor in default for any delay or failure in performance under this Agreement, and such delay or failure of performance shall not constitute a breach of this Agreement, if and to the extent that such delay or failure is the result of a Force Majeure Event (as defined below). If a party intends to invoke this provision, that party shall provide notice to the other party as soon as practicable. Each party shall exercise commercially reasonable efforts to mitigate the extent of such delay or failure. "Force Majeure Event" shall mean catastrophic acts of terrorism, fire, explosion, earthquake, storm, flood, war, insurrection, tornado, hurricane, other natural disasters, pandemics, quarantine restrictions or travel restrictions, sabotage, embargo, expropriation, riot, acts of God or any

comparable event or other state, national or international emergency, calamity or crisis, beyond the reasonable control of the party seeking to excuse or delay performance under this Agreement.

17. **PERSONAL PROPERTY TAXES.**

Any ad valorem taxes assessed against the personal property (as personal property is defined by the taxing jurisdiction(s) having taxing authority over the Assets) transferred to Buyer in connections with the transactions contemplated hereby shall be apportioned between Seller and Buyer as of midnight of the day preceding applicable Date of Inventory. Such apportionment shall be made to the best of the parties' abilities at the time of Closing based on the most recent personal property tax bill issued by the taxing jurisdiction(s). If final amounts are not known at the time of Closing, such prorations shall be recalculated by Buyer and Seller when the final amounts become known, and Buyer and Seller shall make any additional payment or refunds, as the case may be, so that the correct prorated amount is paid by each of Buyer and Seller. The terms and provisions of this Section 17 shall survive the Closing.

(SIGNATURES ON FOLLOWING PAGE)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SELLER:

MEDAVAIL PHARMACY, INC.

By: _____
Name:
Title:

EQUITY HOLDER:

MEDAVAIL HOLDINGS, INC.

By: _____
Name:
Title:

[Signatures continued on following page]

BUYER:

GERMAN DOBSON CVS, L.L.C.

By: _____
Name: Stephen Frumento
Title: Vice President

GARFIELD BEACH CVS, L.L.C.

By: _____
Name: Stephen Frumento
Title: Vice President

LONGS DRUG STORES CALIFORNIA, L.L.C.

By: _____
Name: Stephen Frumento
Title: Vice President

WOODWARD DETROIT CVS, L.L.C.

By: _____
Name: Stephen Frumento
Title: Vice President

HOLIDAY CVS, L.L.C.

By: _____
Name: Stephen Frumento
Title: Vice President

CVS LEGAL APPROVAL:_____

EXHIBIT A

[REDACTED]

EXHIBIT B-1

[REDACTED]

EXHIBIT B-2

[REDACTED]

SCHEDULE A

[REDACTED]

SCHEDULE 3(c)

[REDACTED]

SCHEDULE 5(d)

[REDACTED]

SCHEDULE 5(f)

[REDACTED]

SCHEDULE 5(k)

[REDACTED]

SCHEDULE 5(n)

[REDACTED]

SCHEDULE 5(q)

[REDACTED]

CUSTOMER Medavail Pharmacy, Inc.

[redacted]

NOTICE ADDRESSES

Customer
Medavail Pharmacy, Inc.
4720 E. Cotton Gin Loop, Ste. 100
Phoenix, AZ 85040
Attention: Legal

McKesson
McKesson Corporation
6555 N State Hwy 161
Building A, 3rd Floor
Irving, TX 75039
Attention: Director, Proposal & Contract Development and
Counsel, ISMC Legal

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date written below and the persons signing warrant that they are duly authorized to sign for and on behalf of the respective parties.

Medavail Pharmacy Inc. Signed by:

McKesson Corporation Signed by:

[redacted]

Terms and Conditions

1. **Term**. The twelve month period from the Effective Date, and each twelve month period from each anniversary thereof, constitutes a "**Contract Year**."

2. [redacted]

3. [redacted]

9. [redacted]

10. [redacted]

11. [redacted]

13. [redacted]

15. **Confidentiality**. Except with the prior written consent of the other party, neither Customer nor McKesson may disclose or use any Confidential Information, in any manner or for any purpose, including, without limitation, use in advertising or for promotional materials, provided that each party may disclose the terms of this Agreement to its officers, directors, employees, attorneys and accountants with a

Confidential Information

non-public information that is marked confidential or which the receiving party should reasonably know to be confidential, and (b) the terms of this Agreement. Confidential Information will not include: (i) information lawfully obtained or created by the receiving party independently of the disclosing party's Confidential Information without breach of any obligation of confidence, (ii) information that enters the public domain without breach of any obligation of confidence, or (iii) information which the party is required to divulge pursuant to process of any judicial or governmental body of competent jurisdiction, provided that notice of receipt of such process is given to the other party. [redacted]

[redacted]

20. **Assignment**. Customer may not assign all or any part of this Agreement without McKesson's prior written consent and any attempt to do so without such consent will be null and of no effect. This Agreement will bind and inure to the benefit of each party's permitted successors and assigns.

21. **Governing Law**. This Agreement will be construed in accordance with the laws of the State of Delaware without regard to the rules regarding conflict of laws.

22. **Force Majeure**. Except for the obligation to pay money, a party will not be liable for any failure or delay in performance caused by fires, shortage of materials or transportation, government acts, acts of terrorism, or any other matters beyond the party's reasonable control, and such failure or delay will not constitute a breach of this Agreement.

[redacted]

25. **No Conflict**. Customer represents and warrants that its execution and performance of this Agreement does not and will not conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or require any consent under any agreement between Customer and any other party. [redacted]

27. **Notices**. All notices will reference this Agreement, be in writing and be effective: (i) three (3) days after sending if sent by United States mail certified with postage prepaid, return receipt requested, (ii) the next business day if sent by national overnight courier with delivery charges prepaid, or (iii) upon receipt when delivered in person to the party to which it is given, at the address of such party set forth in the Agreement.
28. **Miscellaneous**. This Agreement constitutes the entire agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements, understandings and representations, with the exception of any promissory note, security agreement, or other credit or financially related document(s) executed by Customer and McKesson, whenever executed. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision of this Agreement should be prohibited or invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity without invalidating the remaining provisions of this Agreement. The failure of any party to enforce at any time any provisions hereof will not be construed to be a waiver of the right of such party thereafter to enforce such provision. All rights and remedies of the parties hereunder are cumulative and not exclusive. For all purposes hereunder, Customer and McKesson will remain independent contractors. This Agreement may be executed in any number of counterparts, each of which will be deemed an original instrument, but together will constitute one agreement. Except as otherwise provided herein, this Agreement may be modified only by a written document executed by Customer and McKesson. Facsimile or electronic signatures shall be as effective as original signatures for all purposes of this Agreement.

PRIVATE AND CONFIDENTIAL

April 6, 2023

Via email
Mark Doerr

Re: Change in Base Salary

Dear Mark,

Based on MedAvail's reduction in revenue, EBITDA and workforce size for the Technology Only business, your annual base salary will be reduced from $450,000 to $400,000 at your request. This reduction in salary will go into effect on April 14, 2023 through February 1, 2024, at which time your compensation will be reevaluated based on the Company's 2023 performance. If the Board of Directors, or the Compensation Committee, determines that the Company has achieved its 2023 performance goals, your current salary of
$450,000 will be reinstated.

In all other respects your offer letter dated January 1, 2022 remains unmodified. Regards,

MedAvail Technologies (US) Inc.

/s/ Glen Stettin

Glen Stettin

Chairman of the MedAvail Compensation Committee – on behalf of the Board Acknowledged and

Accepted

/s/ Mark Doerr

Mark Doerr CEO

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1(No. 333-255347), Forms S-3 (No. 333-265402, No. 333-266842, No. 333-266843) and Forms S-8 (No.333-251063, No. 333-255351, No. 333-264206) of MedAvail Holdings, Inc. of our report dated March 29, 2022 relating to the consolidated financial statements for the year ended December 31, 2021, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Canada

April 14, 2023

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499, www.pwc.com/ca

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-255347), Forms S-3 (No. 333-265402, No. 333-266842, No. 333-266843) and Forms S-8 (No. 333-251063, No. 333-255351, No. 333-264206) of MedAvail Holdings, Inc. of our report dated April 14, 2023, relating to the consolidated financial statements for the year ended December 31, 2022, which appears in this Form 10-K.

/s/ BAKER TILLY US, LLP

San Diego, California
April 14, 2023

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Doerr, certify that:

1. I have reviewed this Annual Report on Form 10-K of MedAvail Holdings, Inc.;

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: April 14, 2023

By: /s/ Mark Doerr

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Ramona Seabaugh, certify that:

1. I have reviewed this Annual Report on Form 10-K of MedAvail Holdings, Inc.;

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: April 14, 2023

By: /s/ Ramona Seabaugh

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of MedAvail Holdings, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 14, 2023

By: /s/ Mark Doerr
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ramona Seabaugh
Chief Financial Officer
(Principal Financial Officer)