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

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31 , 2023**

or

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

For the transition period from __________________________ to __________________________

Commission file number **001-39785**

LIFEMD, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0238453**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
236 Fifth Avenue , Suite 400 New York , New York	**10001**
(Address of principal executive offices)	(Zip Code)

(866) 351-5907
(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 exchange on which registered
Common Stock, par value $.01 per share	LFMD	The Nasdaq Global Market
8.875% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share	LFMDP	The Nasdaq Global Market

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

None
(Title of class)

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 an 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 checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the financial statements included in the filing reflects a correction of an error to previously issued financial statements: Yes ☐ No ☒

Indicate by check mark whether any of those error corrections are restatements requiring a recovery analysis of incentive-based compensation under the registrant's clawback policies: Yes ☐ No ☐

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2023 was $ 111,775,534 , as computed by reference to the closing price of such common stock on such date.

The registrant had 40,366,047 shares of common stock outstanding as of March 8, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2024 definitive proxy statement for the Registrant's Annual Meeting of Stockholders, to be filed within 120 days of our fiscal year end (December 31, 2023) are incorporated by reference into Part III of this Form 10-K .

LIFEMD, INC.
2023 FORM 10-K ANNUAL REPORT
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FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following discussion should be read in conjunction with the financial statements and related notes contained elsewhere in this Annual Report on Form 10-K. Certain statements made in this discussion are "forward-looking statements" within the meaning of 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by the Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used herein, the words "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks relating to the Company's business, industry, and the Company's operations and results of operations. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ materially from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Risk factors include, by way of example and without limitation:

- changes in the market acceptance of our products;
- the impact of competitive products and pricing;
- our ability to successfully commercialize our products on a large enough scale to generate profitable operations;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to respond to new technological developments quickly and effectively, including applications and risks of artificial intelligence ("AI");

- our ability to prevent, detect and remediate cybersecurity incidents;
- our ability to protect our trade secrets or other proprietary rights, operate without infringing upon the proprietary rights of others and prevent others from infringing on our proprietary rights;
- our ability to successfully acquire, develop or commercialize new products and equipment;
- our ability to collaborate successfully with other businesses and to integrate acquired businesses or new brands;
- supply chain constraints or difficulties;
- current and potential material weaknesses in our internal control over financial reporting;
- our need to raise additional funds in the future;
- our ability to successfully recruit and retain qualified personnel;
- the impact of industry regulation, including regulation of privacy and digital healthcare;
- general economic and business conditions, including inflation, slower growth or recession;
- changes in the political or regulatory conditions in the markets in which we operate; and
- business interruptions resulting from geo-political actions, including war, and terrorism or disease outbreaks.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission ("SEC"), including the risk factors identified in Item 1A of this report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

As used in this Annual Report on Form 10-K and unless otherwise indicated, the terms "Company," "we," "us," and "our" refer to LifeMD, Inc. (formerly known as Conversion Labs, Inc.), Cleared Technologies PBC, a Delaware public benefit corporation ("Cleared") and our majority-owned subsidiary WorkSimpli Software LLC (formerly known as LegalSimpli Software, LLC), a Puerto Rico limited liability company ("WorkSimpli"). The affiliated network of medical Professional Corporations and medical Professional Associations administratively led by LifeMD Southern Patient Medical Care, P.C., ("LifeMD PC") is the Company's variable interest entity in which we hold a controlling financial interest. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

PART I

ITEM 1. BUSINESS

Business Overview

We are a direct-to-patient telehealth company providing a high-quality, cost-effective, and convenient way to access comprehensive, virtual and in-home healthcare. We believe the traditional model of visiting a doctor's office, traveling to a retail pharmacy, and returning for follow up care or prescription refills is complex, inefficient, and costly, and discourages many individuals from seeking much needed medical care. LifeMD is improving the delivery of healthcare experience through telehealth with our proprietary technology platform, affiliated and dedicated provider network, broad and expanding treatment capabilities, and unique ability to nurture patient relationships.

The LifeMD telehealth platform integrates best-in-class capabilities including a 50-state medical group, a nationwide pharmacy network, nationwide laboratory and diagnostic testing capabilities, a fully integrated electronic medical records ("EMR") system and an internal patient care and service call center. These capabilities are integrated by an industry-leading, proprietary telehealth technology that supports a broad range of primary care, chronic disease and lifestyle healthcare needs. Currently, LifeMD treats over 215,000 active patient subscribers across a range of their medical needs including primary care, men's sexual health, weight management, sleep, hair loss and hormonal therapy by providing telehealth clinical services and prescription and over-the-counter ("OTC") treatments, as medically appropriate. Our virtual primary care services are primarily offered on a subscription basis. Since inception, we have helped approximately 854,000 customers and patients by providing them greater access to high-quality, convenient, and affordable care.

Our mission is to empower people to live healthier lives by increasing access to high-quality and affordable virtual and in-home healthcare. We believe our success has been, and will continue to be, attributable to an amazing patient experience, made possible by attracting and retaining the highest-quality providers in the country, and our proprietary end-to-end technology platform. As we continue to pursue long-term growth, we plan to continue to introduce new telehealth product and service offerings that complement our already expansive treatment areas. During April 2023, we launched a highly successful and differentiated GLP-1 Weight Management offering driven by our existing primary care capabilities that already had more than 22,000 patient subscribers as of December 31, 2023. Patients receive a range of weight loss services including prescriptions for GLP-1 medications, as medically appropriate, lab work services, general primary care and holistic healthcare and coaching. The GLP-1 medically supported weight loss market is rapidly growing and is projected to increase from over $13 billion to over $100 billion by 2030, according to J.P. Morgan Research.

Our telehealth revenue increased 19% for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Total revenue from recurring subscriptions is approximately 95%. In addition to our telehealth business, we own 73.32% of WorkSimpli, which operates PDFSimpli, a rapidly growing software as a service platform for converting, signing, editing, and sharing PDF documents. This business experienced 50% year-over-year revenue growth, with recurring revenue of 100%, due to a combination of higher demand, increased market awareness, enhanced digital capabilities, continued marketing campaign expansion and the addition of the ResumeBuild brand in the first quarter of 2022.

Our Platform and Business Strategy

We are a patient-centric telehealth company dedicated to delivering seamless end-to-end virtual healthcare directly to consumers and through select enterprise ("B2B") partnerships. Our mission is facilitated by our robust technology platform that is purpose-built to seamlessly connect the various touchpoints involved in delivering complex care, including scheduling for a national provider network, EMR capabilities, secure synchronous and asynchronous communication, digital prescriptions, cloud pharmacy and more. Our platform enables us to deliver modern personalized health experiences and offerings through our websites and mobile applications, spanning customer discovery, purchase and connection with licensed providers, to pharmacy and OTC order fulfillment, through ongoing care. We believe that our seamless approach significantly reduces the complication, cost and time burden of healthcare, incentivizing consumers to stick with our brands.

Our offerings are sold to consumers on a subscription basis thus creating a relationship-driven patient experience to bolster retention rates and recurring revenue. Our offerings range from prescription medication and OTC products fulfilled on a recurring basis, to primary care and weight management clinical services and ongoing care from a team of dedicated medical providers. In general, our offerings seek to serve a patient throughout the lifecycle of both their general and chronic healthcare needs. As appropriate, prescription medications and OTC products are filled by pharmacy fulfillment partners, and are shipped directly to the patient. The number of patients and customers we serve across the nation continues to increase at a robust pace, with more than 854,000 individuals having purchased our products and services to date.

Our platform also includes a robust customer relationship management ("CRM") system, and performance marketing platform that enables us to acquire and retain new patients and customers at scale by driving brand visibility through strategic media placements, influencer partnerships, and direct response advertising methods across highly visible marketing channels (*i.e*., national TV, streaming TV, streaming audio, YouTube, podcasts, Out of Home, print, magazines, online search, social media, and digital).

We leverage our telehealth technology platform and services across the three core areas described below:

Direct-to-Consumer Virtual Primary Care

In the first quarter of 2022, we launched our flagship virtual primary care offering under the LifeMD brand, LifeMD PC. This offering provides patients with 24/7 access to an affiliated high-quality provider for their primary care, urgent care, and chronic care needs. LifeMD's virtual primary care offering is a mobile-first full-service destination that provides seamless access to high-quality clinical care including virtual consultations and treatment, prescription medications, diagnostics and imaging, wellness coaching and more. This offering is also supported by robust partnerships that provide our patients benefits such as substantial discounts on lab work and a prescription discount card that can be presented at over 60,000 pharmacies to save up to 92% on their prescription medication.

In April 2023, we launched our rapidly growing GLP-1 Weight Management program providing primary care, weight loss, holistic healthcare, lab work and prescription services, as appropriate, to patients seeking to access a medically supported weight loss solution. Since inception, our Weight Management program has grown exponentially to over 22,000 patient subscribers as of December 31, 2023. We remain at the forefront of the rapidly growing GLP-1 weight loss market, which is expected to exceed $100 billion by 2030, with our highly differentiated and comprehensive offering.

Direct-to-Patient Telehealth Brands

We also leverage our telehealth platform's provider network, cloud pharmacy and EMR capabilities across our direct-to-patient telehealth brands. Our telehealth brands RexMD, ShapiroMD, NavaMD and Cleared target largely unaddressed or underserved healthcare needs and are leading destinations in their respective treatment verticals of men's health, hair loss, dermatology, and immunology.

- **RexMD** is a men's telehealth platform brand that offers access to virtual medical treatment for a variety of men's health needs. After treatment from an affiliated licensed physician, if appropriate, one of our partner pharmacies will dispense and ship prescription medications and OTC products directly to the customer. Since RexMD's initial launch in the erectile dysfunction treatment market, it has expanded into additional indications including but not limited to, premature ejaculation, hormone therapy and hair loss. RexMD has served approximately 500,000 customers and patients since inception with a 4.6-star Trustpilot rating.

- **ShapiroMD** offers access to virtual medical treatment, prescription medications, patented doctor formulated OTC products, topical compounded medications and Food and Drug Administration ("FDA") approved medical devices treating male and female hair loss through our telehealth platform. ShapiroMD has emerged as a leading destination for hair loss treatment across the United States ("U.S.") and has served more than 265,000 customers and patients since inception with a 4.9-star Trustpilot rating.

- **NavaMD** is a female-oriented, tele-dermatology brand that offers access to virtual medical treatment from dermatologists and other providers, and, if appropriate, prescription oral and compounded topical medications to treat dermatological conditions such as aging and acne. In addition to the brand's telehealth offerings, NavaMD's proprietary products leverage intellectual property and proprietary formulations licensed from Restorsea, a leading medical-grade skincare technology platform.

- **Cleared** is a telehealth brand that provides personalized treatments for allergy, asthma and immunology. Offerings include in-home tests for both environmental and food allergies, prescriptions for allergies and asthma and FDA-approved immunotherapies for treating chronic allergies. Cleared leverages a 50-state network of affiliated medical professionals and providers, various pharmaceutical partners and treatments and tests that cost up to 50% less than the brand-name competition. The offerings include free consultations, prescription medication, complementary OTC products and ongoing care from U.S.-licensed allergists and nurses.

B2B Telehealth Partnerships

Organizations selling healthcare products face a challenging commercial landscape. Increased competition, shrinking market sizes and challenges reaching patients via the traditional brick-and-mortar physician offices are forcing pharmaceutical, medical device and diagnostic companies to rethink their commercial strategies and increase their focus on digital patient awareness and engagement initiatives. It is estimated that spending on digital solutions to facilitate greater access to end markets accounts for one-third of the collective $30 billion commercial spend by these companies in the U.S. We believe LifeMD's unique telehealth technology platform and virtual care expertise is well-positioned to address the unmet needs of healthcare product companies as they relate to digital patient awareness, access to care, adherence and compliance. To date, LifeMD has executed the following enterprise commercial agreements providing access to our industry leading telehealth platform capabilities.

- In September 2023, LifeMD executed a partnership agreement with ASCEND Therapeutics, LLC ("ASCEND"), a subsidiary of Besins Healthcare, and a specialty pharmaceutical company concentrating on women's health, to provide integrated telehealth services to improve access to EstroGel®. Under the terms of the agreement, LifeMD receives fees related to certain corporate services provided to ASCEND while having our telehealth services featured on the www.estrogel.com website.

- On December 11, 2023, the Company entered into a collaboration with Medifast, Inc. through and with certain of its wholly-owned subsidiaries (“Medifast”). Medifast will utilize the Company’s virtual care technology platform to provide its clients access to a clinically supported weight management program, including GLP-1 medications, which are a class of medications that mainly help manage blood sugar (glucose) levels in people with Type 2 diabetes but can also treat obesity. Pursuant to certain agreements between the parties, Medifast has agreed to pay to the Company the amount of $10 million to support the collaboration, funding enhancements to the Company platform, operations and supporting infrastructure, of which $5 million was paid at the closing on December 12, 2023, and the remainder is to be paid in two $2.5 million installments on March 31, 2024 and June 30, 2024 (or earlier upon the Company’s achievement of certain program milestones) (the “Medifast Collaboration”).

  In addition, in connection with the Medifast Collaboration, the Company entered into a stock purchase agreement and registration rights agreement with Medifast’s wholly-owned subsidiary, Jason Pharmaceuticals, Inc., whereby the Company issued 1,224,425 shares of its common stock in a private placement (the “Medifast Private Placement”) at a purchase price of $8.1671 per share, for aggregate proceeds of approximately $10 million. The Company granted Jason Pharmaceuticals the right, for a period contemporaneous with the ongoing collaboration, to appoint one non-voting observer to the Board of Directors of the Company, entitled to attend Board meetings.

Majority Owned Subsidiary: WorkSimpli

WorkSimpli is a leading provider of workplace and document services for consumers, gig workers and small businesses. WorkSimpli operates the following brands: (1) PDFSimpli, an online software as a service platform that allows users to create, edit, convert, sign, and share PDF documents, (2) ResumeBuild, a leading provider of digital resume and cover letter services, (3) SignSimpli, a digital signature platform and (4) LegalSimpli, a provider of legal forms for consumers and small businesses. We acquired WorkSimpli through the purchase of 51% of the membership interests of WorkSimpli Software LLC, a Puerto Rico limited liability company, which operates a marketing-driven software solutions business. On January 22, 2021, LifeMD consummated a transaction and increased its ownership of WorkSimpli to 85.6%. Effective September 30, 2022, two option agreements were exercised which further restructured the ownership of WorkSimpli. As a result, the Company’s ownership interest in WorkSimpli decreased to 73.64%. Effective March 31, 2023, the Company redeemed 500 membership interest units in WorkSimpli and, as a result, the Company’s ownership interest in WorkSimpli increased to 74.06%. Effective June 30, 2023, an option agreement was exercised which further restructured the ownership of WorkSimpli. As a result, the Company’s ownership interest in WorkSimpli decreased to 73.32%.

WorkSimpli was ranked in the top 25,000 websites globally, with more than 56 million registrants. Since its launch, WorkSimpli has converted or edited over 276 terabytes of documents for customers from the legal, financial, real-estate and academic sectors. WorkSimpli had over 281,000 active subscriptions as of December 31, 2023.

Customers

Our customer base includes men and women seeking virtual primary care and virtual medical treatment for hair loss, men’s sexual health issues, dermatology, allergy, asthma and weight loss. No single customer accounted for more than 10% of net sales for the years ended December 31, 2023 and 2022.

Our Growth Strategy

We have achieved rapid growth since our transformation into a healthcare company in 2018, with a compounded annual growth rate in revenue of nearly 87% since 2020 and revenue growth of 28% in 2023 as compared to 2022. We believe this validates our significant long-term investments in developing our human capital, technology, brand-awareness, omni-channel marketing and operations infrastructure. We will continue to make wise investments in differentiated telehealth service offerings and in initiatives that will enhance the experience our patients have with our platform.

We plan to continue to build a robust operational infrastructure to enable us not only to provide better patient care, but also to drive better unit economics for our business supported by strong retention of our patient subscriber base. While we are proud of our accomplishments to date, we believe the most exciting opportunities for our growth lie ahead. We intend to focus on the following areas to help us achieve this growth:

Acquire new patients. We are focused on continuing to drive the acquisition of new patients through our performance marketing platform and increased brand visibility across highly scalable marketing channels. There remains a large underserved market within primary care, weight loss, hair loss, erectile dysfunction, men’s and women’s health, dermatology and hormonal health into which we intend to continue to aggressively scale our business in 2024 and beyond. We believe the largest opportunity to accelerate new patient growth is in our weight management program given the potential increase in availability of GLP-1 medications through expanded insurance coverage and new growth channels from partnerships such as with Medifast.

Leverage cross-selling capabilities within our existing customer base. Given our diverse service offering, we believe there is a significant opportunity to cross sell to our existing customer base. Specifically, we have had success in cross selling our weight management program to our RexMD customers. In addition, we believe other cross-selling opportunities include cross-selling lab-and-medically-supported hormone therapy programs to our RexMD and NavaMD customers. These cross-selling initiatives should assist in strengthening patient retention rates and revenue growth.

Expand our offering of services and products. We are committed to providing best-in-class services and products and to adding new offerings for our patients and customers. For example, we are building an in-house pharmacy capability to better meet the needs of our patients.

Launch commercial insurance programs followed by Medicare. In 2024, we expect to have our affiliated medical group fully enrolled as an in-network provider participating in major commercial insurance plans with the ability to accept coverage in 10 states. As commercial insurance becomes more embedded within our offerings, out-of-pocket cost of our services to our patients should be lower and result in higher patient satisfaction and retention. Additionally, we are building an industry-leading compliance infrastructure for Medicare participation. We believe that participation in commercial and government insurance programs will bolster significant growth for LifeMD.

Increase our enterprise partnerships. In 2023, we executed several collaborations to further leverage our affiliated medical group, add another channel to acquire new patients and generate licensing fees. These partnerships included agreements with the following: (1) Medifast, the health and wellness company known for its habit-based and coach-guided lifestyle solution OPTAVIA®, to integrate LifeMD’s telehealth platform and GLP-1 offering for medically qualified patients with OPTAVIA’s healthy lifestyle solution, (2) ASCEND Therapeutics, a leader in the hormonal and women’s health markets, which allows ASCEND to leverage LifeMD’s telehealth platform, data capabilities and healthcare marketing expertise to support its products, and (3) IQVIA, a leading global provider of advanced analytics, technology solutions and clinical research services to the life sciences industry, to leverage our telehealth infrastructure in partnership with IQVIA’s comprehensive commercialization solutions. We expect to execute additional partnership opportunities in the future.

Competition

The markets we serve are large and highly competitive. Numerous online brands compete with us for customers throughout the U.S. and internationally in virtual primary care, weight loss, men's and women's health, dermatology and allergy. We also compete with traditional mass merchandisers, drug store chains, and independent pharmacies. Key to retaining and growing our position in the market is taking a patient-centric approach to telehealth, with a strong emphasis on the quality of care we deliver to our patients. Our human capital and know-how, proprietary technology platform and unique product offerings represent meaningful strengths that we believe will enable us to maintain and grow our market-leading position in the U.S.

Our key competitive strengths include:

- An affiliated 50-state medical group dedicated to the ongoing healthcare needs of our patients.
- Industry leading, proprietary telehealth platform capable of supporting the delivery of complex primary care and the treatment of a broad range of chronic conditions.
- An in-house patient service and call center dedicated to providing patient care and customer support to our rapidly growing subscriber base.
- Robust CRM, patient acquisition and retention capabilities supported by real-time data analytics leveraging best-in-class technologies including artificial intelligence ("AI").
- A compliance-first mindset ensuring patients have access to their clinical data through a full scale EMR system while ensuring we adhere to strict compliance standards.

High-Quality Care

Our telehealth platform is designed to give patients more control over their healthcare spending, greater convenience in how and when they pursue or receive care and better outcomes as hurdles to healthcare services are removed for the care or medications they need. We are committed to delivering exceptional care that is convenient and affordable. This is achieved through our provider network, including affiliated, full-time doctors and nurse practitioners, in addition to an internal patient care center launched in November 2020 and staffed by LifeMD employees. The patient care center includes approximately 104 employees and is led by an experienced operations and customer experience team. We believe the hands-on capabilities of the patient care center, supported by our technology platform, will continue to drive high levels of patient satisfaction like we have today.

Technology Platform

Our telehealth technology platform is continually optimized as we scale up to serve more patients, and this flexible infrastructure can be repurposed for a variety of existing or future telehealth offerings. Further, this platform allows for rapid development and the scale up of new telehealth offerings as we identify attractive opportunities. Additional key capabilities of this platform include proprietary staffing algorithms for case-load balancing, full CRM functionality, integration with an affiliated 50-state physician network, national third-party pharmacy network, fully integrated EMR system, synchronous and asynchronous communications, and more.

Intellectual Property

We regard our trademarks, copyrights, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and we rely on trademark and copyright law, trade-secret protection and confidentiality, patents, and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. We have licensed in the past, and expect that we may license in the future, certain proprietary rights, technologies or copyrighted materials from third- parties, and we rely on those third-parties to defend their proprietary rights, copyrights, and technologies.

From time-to-time, we register our principal brand names in the U.S. and certain foreign countries. Our material trademarks include ShapiroMD Hair Growth Experts® and Cleared®. Trademark applications have been filed and are being prosecuted for RexMD, LifeMD and NavaMD. The steps we take to protect our proprietary rights in our brand names may not be adequate to prevent the misappropriation of our brand names in the U.S. or abroad. Existing trademark laws afford only limited practical protection for our product lines. The laws and the level of enforcement of such laws in certain foreign countries where we market our products often do not protect our proprietary rights in our products to the same extent as the laws of the U.S.

We have two U.S. patents relating to our Shapiro MD products' method for treatment of hair loss with a combination of natural ingredients with one granted on March 24, 2015 and the other on January 3, 2017. In order to protect the confidentiality of our intellectual property, including trade secrets, know-how and other proprietary technical and business information, it is our policy to limit access to such information to those who require access in order to perform their functions and to enter into agreements with employees, consultants, and vendors to contractually protect such information.

Manufacturing and Supply Chain

We use third parties to manufacture and package our OTC products according to the formulas and packaging guidelines we dictate. In order to minimize costs, we may elect to purchase raw or bulk materials directly from our suppliers and have them shipped to our manufacturers so that we may incur only tableting, encapsulating, and/or packaging costs and avoid the additional costs associated with purchasing the finished product.

Government and Environmental Regulation

FDA and Federal Trade Commission ("FTC")

Our business is heavily regulated by the FDA and the FTC. The FDA enforces the Federal Food, Drug and Cosmetic Act (the "FDCA") and Dietary Supplement Health and Education Act ("DSHEA") as they pertain to foods, food ingredients, cosmetics and dietary supplement production and marketing. Dietary supplements are regulated as a category of food, not as drugs. We are not required to obtain FDA pre-market approval to sell our dietary supplement products in the U.S. under current laws. Our OTC hair loss products are regulated as cosmetics under the FDCA.

The FDA imposes Good Manufacturing Practice ("GMP") guidelines to ensure that prescription drugs and dietary supplements are produced in a quality manner, do not contain contaminants or impurities, and are accurately labeled. GMP guidelines include requirements for establishing quality control procedures, designing, and constructing manufacturing plants, testing ingredients and finished products, record keeping, and handling of consumer product complaints. The FDA has broad authority to enforce the provisions of federal law applicable to prescription drugs, dietary supplements and cosmetics, including the power to monitor claims made in product labeling, to seize adulterated or misbranded products or unapproved new drugs, to request product recall, and to issue warning letters. FDA also may refer cases to the Department of Justice to enjoin further manufacture or sale of a product, to issue warning letters, and to institute criminal proceedings.

Advertising and product claims regarding the efficacy of products are also regulated by the FTC. The FTC regulates the advertising of dietary supplements, cosmetics and other health-related products to ensure that any advertising is truthful and not misleading, and that an advertiser maintains adequate substantiation for all product claims. FTC-launched enforcement actions may result in consent decrees, cease and desist orders, judicial injunctions and the payment of fines with respect to advertising claims that are found to be unsubstantiated.

Under current U.S. regulations, our products must comply with certain labeling requirements enforced by the FDA and FTC, but otherwise generally are not required to receive regulatory approval prior to introduction into the U.S. market. We believe we are in compliance with all material government regulations applicable to our products.

In addition to the foregoing, our operations and those of our partners are subject to federal, state and local government laws and regulations, including those relating to the practice of medicine, telehealth and the prescribing of prescription medications. We believe we are in substantial compliance with all material governmental regulations applicable to our operations.

Data Privacy and Security Laws

The data we collect and process is an integral part of our products and services, allowing us to ensure our prices are accurate and relevant, and reach and advertise to consumers with savings information. We collect and may use personal information to help run our business (including for analytical and marketing purposes) and to communicate and otherwise reach our consumers. In some instances, we may use third party service providers to assist us in the above.

We endeavor to treat our consumers' data with respect and maintain consumer trust. We provide consumers options designed to allow them to control the use and disclosure of their data, such as allowing consumers to opt out of any marketing requests, opt out of the use of marketing cookies, pixels and technologies on our platform, and request deletion of their data.

Since we receive, use, transmit, disclose and store personal information, including health-related information, we are subject to numerous state and federal laws and regulations that address privacy, data protection and the collection, storing, sharing, use, transfer, disclosure and protection of certain types of data. Such regulations include the CAN-SPAM Act, the Telephone Consumer Protection Act of 1991, the criminal healthcare fraud provisions of the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, ("HITECH"), and their implementing regulations, which we collectively refer to as HIPAA, Section 5(a) of the Federal Trade Commission Act, and the California Consumer Privacy Act ("CCPA") and the California Privacy Rights Act ("CPRA"). The CCPA requires, among other things, covered companies to provide certain disclosures to California consumers and afford such consumers abilities to opt-out of certain sales or sharing of personal information. Legislation similar to the CCPA has been adopted in thirteen other states, with similar privacy and data security laws currently proposed in more than half of the states in the U.S. and various federal legislative drafts in the U.S. Congress.

Several states have also adopted or proposed consumer health data privacy legislation. For example, the Washington State My Health My Data Act ("MHMDA") passed on April 27, 2023 and takes effect on March 31, 2024. The MHMDA creates new obligations with respect to companies' processing consumer health data not subject to HIPAA that limits, and in some cases, requires consumers to provide opt-in consent to the collection, processing, and sharing consumer health information for certain purposes. The existence of myriad comprehensive privacy laws and consumer health data privacy laws in different states in the country will make our compliance obligations more complex and costly and may increase the likelihood that we may be subject to enforcement actions, litigation, or otherwise incur liability for noncompliance, and may limit our ability to process data for certain purposes. Aspects of these comprehensive privacy laws and consumer health data privacy laws and regulations, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them.

Additionally, the FTC, and many state attorneys general are interpreting existing federal and state consumer protection laws to impose evolving standards for the online collection, use, dissemination and security of health-related and other personal information. Courts may also adopt the standards for fair information practices promulgated by the FTC, which concern consumer notice, choice, security and access. Consumer protection laws require us to publish statements that describe how we handle personal information and choices individuals may have about the way we handle their personal information. If such information that we publish is considered untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Furthermore, according to the FTC violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act.

HIPAA, which we believe does not currently apply to most of our business as currently operated, imposes on entities within its jurisdiction, among other things, certain standards relating to the privacy, security, transmission and breach reporting of individually identifiable health information. Entities that are found to be in violation of HIPAA as the result of a breach of unsecured protected health information, a complaint about privacy practices or an audit by U.S. Department of Health and Human Services ("HHS"), may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

Healthcare Fraud and Abuse Laws

Although the consumers who use our offerings do so outside of any medication or other health benefits covered under their health insurance, including any commercial or government healthcare program, we may nonetheless be subject to a number of federal and state healthcare regulatory laws that restrict business practices in the healthcare industry. These laws include, but are not limited to, federal and state anti-kickback, false claims, and other healthcare fraud and abuse laws.

The U.S. federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease, or order of any good, facility, item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federal healthcare programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The majority of states also have anti-kickback laws, which establish similar prohibitions, and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers and self-pay patients.

The federal false claims laws, including the civil False Claims Act, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false, fictitious, or fraudulent claim for payment to, or approval by, the federal government, knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government, or knowingly making a false statement to avoid, decrease, or conceal an obligation to pay money to the U.S. federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. Actions under the civil False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Moreover, a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

In addition, the civil monetary penalties statute, subject to certain exceptions, prohibits, among other things, the offer or transfer of remuneration, including waivers of copayments and deductible amounts (or any part thereof), to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of services reimbursable by Medicare or a state healthcare program.

The federal Health Insurance Portability and Accountability Act of 1996 created additional federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Violations of fraud and abuse laws, including federal and state anti-kickback and false claims laws, may be punishable by criminal and civil sanctions, including fines and civil monetary penalties, the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid), disgorgement and corporate integrity agreements, which impose, among other things, rigorous operational and monitoring requirements on companies. Similar sanctions and penalties, as well as imprisonment, also can be imposed upon executive officers and employees of such companies.

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, such as our prescription offering. 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.

State Corporate Practice of Medicine and Fee Splitting Laws

With respect to our telehealth platform, we contract with our physician-owned professional corporation, LifeMD PC, to deliver our telehealth offerings to its patients in the U.S. We entered into a management services agreement with LifeMD PC pursuant to which we provide them with billing, scheduling and a wide range of other services, and they pay us for those services. In addition, our platform enables consumers to opt in to use our prescription offering and/or fill their prescriptions through a third-party mail-order pharmacy. These relationships are subject to various state laws, which are intended to prevent unlicensed persons from interfering with or influencing the physician'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 and/or our providers, civil or criminal penalties, receipt of cease-and-desist orders from state regulators, loss of provider licenses, or a restructuring of our arrangements with our affiliated professional entities.

Human Capital

As of December 31, 2023, we employed 232 employees, of which 207 were full-time, 4 were part-time, and 21 were temporary employees. Of our total employees, 104 were based at our patient care center in Greenville, SC. We use the services of consultants and third-party service providers, where needed. None of our employees are represented by a union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relationship with our employees to be good.

We expect headcount to continue to grow in the future, especially as we continue to focus on recruiting employees in technical functions, in various functions related to our operations as a publicly traded company, and to support our continued growth. We pride ourselves on hiring people who not only have the skills required to perform their respective roles, but also share in the Company's mission.

To attract and retain key personnel, we use various measures, including an equity incentive program for key executive officers and other employees. We also provide comprehensive benefits, including health insurance for employees and dependents, 401(k) match for employees and unlimited paid time off for exempt employees. In managing our business, we strive to develop and implement policies and programs that support our business goals, maintain competitiveness, promote shared fiscal responsibility among the Company and our employees, strategically align talent within our organization and reward performance, while also managing the costs of such policies and programs. Our employees are supported with training to ensure compliance with our policies. We adhere to our business code of conduct, which sets forth a commitment to our stakeholders, including our employees, to operate with integrity and mutual respect.

Corporate History

LifeMD, Inc. was formed in the State of Delaware on May 24, 1994, under our prior name, Immudyne, Inc. We changed our name to Conversion Labs, Inc. on June 22, 2018 and then subsequently, on February 19, 2021, we changed our name to LifeMD, Inc. Further, in connection with changing our name, we changed our trading symbol to LFMD.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and amendments to these reports that we file with or furnish to the SEC at their website, www.sec.gov, are also available free of charge at our website, https://ir.lifemd.com/, as soon as reasonably practicable after we electronically file these reports with, or furnish these reports to the SEC. The content of this website is not part of this Annual Report.

Any of these reports or documents may also be obtained by writing to: Investor Relations; c/o LifeMD, Inc., 236 Fifth Avenue, Suite 400, New York, NY 10001.

ITEM 1A. RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this report, before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Risks Related to our Business and Industry

We have generated net losses, we anticipate increasing expenses in the future, we have not yet achieved profitability, and we may not be able to achieve or maintain profitability.

We have incurred net losses on an annual basis since our inception. We incurred net losses of $17.8 million and $45.0 million in the years ended December 31, 2023 and 2022, respectively. We expect our costs will increase in the foreseeable future and we expect our losses will continue as we expect to invest significant additional funds towards growing our platform, growing our provider network, enhancing our pharmacy fulfillment system, and operating as a public company and as we continue to invest in increasing our customer base, hiring additional employees, and developing new products and technological capabilities to enhance our customers' experience on our platform. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. To date, we have financed our operations principally from the sale of our equity, revenue from our platform, and the incurrence of indebtedness.

We may not generate positive cash flows from operations or achieve profitability in any given period, and our limited operating history may make it difficult to evaluate our current business and our future prospects. We cannot assure you that we will be able to achieve profitability, on either a quarterly or annual basis, or that profitability, if achieved, will be sustained. Our ability to meet our long-term business objectives likely will be dependent upon establishing increased cash flow from operations or securing other sources of financing. If our losses continue, however, our liquidity may be severely impaired, our stock price may fall, and our stockholders may lose all or a significant portion of their investment.

We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing and highly regulated industries, including increasing expenses as we continue to grow our business. If we are not able to achieve or maintain positive cash flow in the long term, we may require additional financing, which may not be available on favorable terms or at all and/or which would be dilutive to our stockholders. If we are unable to successfully address these risks and challenges as we encounter them, our business, results of operations, and financial condition would be adversely affected.

Our limited operating history and evolving business make it difficult to evaluate our current business and future prospects and increases the risk of your investment.

Our limited operating history and evolving business make it difficult to evaluate our current business and future prospects and plan for our future growth. We began offering direct to consumer products and services in 2016. Since that time, our business has expanded and we have increased the ways that we can address customer needs. We have encountered and will continue to encounter significant risks and uncertainties frequently experienced by new and growing companies in rapidly changing and heavily regulated industries, such as attracting new customers and healthcare providers (sometimes referred to herein as "providers"), to our platform, retaining our customers and encouraging them to utilize new offerings we make available, increasing the number of conditions that can be treated by providers through our platform, competition from other companies, whether online healthcare providers or traditional healthcare providers, hiring, integrating, training and retaining skilled personnel, verifying the identity of customers and credentials of providers serving our customers, developing new solutions, determining prices for our solutions, unforeseen expenses, challenges in forecasting accuracy, and new or adverse regulatory developments affecting the use of telehealth, pharmaceutical products, or other aspects of the healthcare industry. If our assumptions regarding these and other similar risks and uncertainties that relate to our business, which we use to plan our business, are incorrect or change as we gain more experience operating our platform or expand into the treatment of new conditions, or if we do not address these challenges successfully, our operating and financial results could differ materially from our expectations and our business could suffer. Similar risks apply to our subsidiary cloud-based software as a service business that is exposed to many of the risks typically experienced by a new and growing company including ability to attract new customers, entrance of competitors, and other risk factors.

The telehealth market is immature and volatile, and if it does not develop, if it develops more slowly than we expect, if it encounters negative publicity, or if our solution does not drive customer engagement, the growth of our business will be harmed.

With respect to our telehealth services, the telehealth market is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance and market adoption. The COVID-19 pandemic increased utilization of telehealth services, but it is uncertain whether such increase in demand will continue. Our success will depend to a substantial extent on the willingness of our customers to use, and to increase the frequency and extent of their utilization of, our telehealth platform, as well as on our ability to continue to grow our existing business and expand into new indications. Negative publicity concerning our platform or brands, or the telehealth market as a whole, could limit market acceptance of our offerings. If our customers do not perceive the benefits of our telehealth products and services, or if our products do not drive customer retention, then our market may not develop, or it may develop more slowly than we expect. Similarly, individual and healthcare industry concerns, negative publicity regarding patient confidentiality and privacy in the context of telehealth, and resistance from third party payors could limit market acceptance of our healthcare services. If any of these events occurs, it could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to expand the scope of our offerings, including the number and type of products and services that we offer, the number and quality of healthcare providers serving our customers, and the number and types of conditions capable of being treated through our platform, our business, financial condition, and results of operations may be materially and adversely affected.

We provide customers with access to non-prescription products, telehealth-based medical consultations with providers, and applicable pharmaceutical products prescribed by the providers for specific medical conditions. In order for our business to continue growing and expanding, we need to continue expanding the scope of products and services we offer our customers, including telehealth consultations and prescription and non-prescription medication for additional conditions. The introduction of new products, services, or technologies by market participants, including us, can quickly make existing products and services offered by us obsolete and unmarketable. Additionally, changes in laws and regulations (or enforcement thereof) could impact the usefulness of our platform and could necessitate changes or modifications to our platform or offerings to accommodate such changes. We invest substantial resources in researching and developing new offerings and enhancing our solutions by incorporating additional features, improving functionality, and adding other improvements to meet our customers' evolving demands. The success of any enhancements or improvements to our services or any new offerings depends on a number of factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies, and overall market acceptance. We may not succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or improvements to our services or any new offerings that respond to continued changes in market demands or new customer requirements, and any enhancements or improvements to our services or any new offerings may not achieve market acceptance. Since developing enhancements to our services and the launch of new offerings can be complex, the timetable for the release of new offerings and enhancements to our existing services is difficult to predict, and we may not launch new offerings and updates as rapidly as our current or prospective customers require or expect. Any new offerings or service enhancements that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. We may use technologies such as generative artificial intelligence ("AI") to help us develop and market new products. Despite our best efforts, AI may generate content that is not relevant or useful to our users and can subject us to risks related to inaccurate content, discrimination, intellectual property infringement or misappropriation, data privacy and cybersecurity breaches, among others. Moreover, even if we introduce new offerings, we may experience a decline in revenue of our existing offerings that is not offset by revenue from the new offerings. In addition, we may lose existing customers who choose a competitor's products and services. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

If we are unable to successfully market to new customers and retain existing customers, or if evolving privacy, healthcare, or other laws prevent or limit our marketing activities, our business, financial condition, and results of operations could be harmed.

We generate revenue from our platform by selling non-prescription health and personal care products directly to consumers and offering consumers access to telehealth consultations with providers and certain prescription medications that may be prescribed by the providers in connection with the telehealth consultations. Unless we are able to acquire new customers, and retain existing customers, our business, financial condition, and results of operations may be harmed.

In order to acquire new customers and patients, and to incentivize existing customers and patients to purchase more of our offerings, we use social media platforms, search engine marketing, emails, text messages, our Patient Care Center, influencers, and many other online and offline marketing strategies to reach new customers and patients. State and federal laws and regulations governing the privacy and security of personal information, including healthcare data, are evolving rapidly and could impact our ability to identify and market to potential and existing customers. Similarly, certain federal and state laws regulate, and in some cases limit, the use of discounts, promotions, and other marketing strategies in the healthcare industry. If federal, state, or local laws governing our marketing activities become more restrictive or are interpreted by governmental authorities to prohibit or limit these activities, our ability to attract new customers and retain customers would be affected and our business could be materially harmed. In addition, any failure, or perceived failure, by us, to comply with any federal, state, or local laws or regulations governing our marketing activities could adversely affect our reputation, brand, and business, and may result in claims, proceedings, or actions against us by governmental entities, consumers, suppliers, or others, or other liabilities or may require us to change our operations and/or cease using certain marketing strategies.

Changes to social networking or advertising platforms' terms of use, terms of service, or traffic algorithms that limit promotional communications, impose restrictions that would limit our ability or our customers' ability to send communications through their platforms, disruptions, or downtime experienced by these platforms or reductions in the use of or engagement with social networking or advertising platforms by customers and potential customers could also harm our business. As laws and regulations rapidly evolve to govern the use of these channels, the failure by us, our employees, or third parties acting at our direction to abide by applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential or sensitive personal information of our business, employees, consumers, or others. Any such inappropriate use of social media, emails and text messages could also cause reputational damage and adversely affect our business.

Our revenue growth depends on consumers' willingness to adopt our products, and the failure of our offerings to achieve and maintain market acceptance could result in us achieving revenue below our expectations, which could cause our business, financial condition, and results of operation to be materially and adversely affected.

Our growth is highly dependent upon the adoption by consumers of our products, and we are subject to a risk of any reduced demand for our products. If the market for our products does not gain broad market acceptance or develops more slowly than we expect, our business, prospects, financial condition and operating results will be harmed.

Our current business strategy is highly dependent on our platform and offerings achieving and maintaining market acceptance. Market acceptance and adoption of our model and the products and services we make available depend on educating potential customers who may find our services and these products and services useful, as well as potential partners, suppliers, and providers, as to the distinct features, ease-of-use, positive lifestyle impact, cost savings, and other perceived benefits of our offerings as compared to those of competitors. If we are not successful in demonstrating to existing and potential customers the benefits of our services, our revenue may decline or we may fail to increase our revenue in line with our forecasts.

Our business model and the services and products we make available may be perceived by potential customers, providers, suppliers, and partners to be less trustworthy or effective than traditional medical care or competitive telehealth options, and people may be unwilling to change their current health regimens or adopt our offerings. Consumers who have healthcare insurance coverage may not wish to use the platform to access healthcare services or products for which insurance reimbursement is not available. Moreover, we believe that providers can be slow to change their treatment practices or approaches because of perceived liability risks or distrust of departures from traditional practice. Accordingly, we may face resistance to our offerings from brick-and-mortar providers until there is overwhelming evidence to convince them to alter their current approach.

Our business is subject to changes in medication pricing and is significantly impacted by pricing structures negotiated by industry participants.

The prescription prices that we present through our platform are based in large part upon pricing structures negotiated by industry participants. We do not control the pricing strategies of drug manufacturers, wholesalers and pharmacies, each of which is motivated by independent considerations and drivers that are outside our control and has the ability to set or significantly impact market prices for different prescription medications. While we have contractual and non-contractual relationships with certain industry participants, such as pharmacies and drug manufacturers, these and other industry participants often negotiate complex and multi-party pricing structures, and we have no control over these participants and the policies and strategies that they implement in negotiating these pricing structures. Medication pricing is also impacted by health insurance companies and the extent to which a health insurance plan provides for, among other things, covered medications, preferred tiers for different medications and high or low deductibles.

Our ability to generate revenue are directly affected by the pricing structures in place amongst these industry participants, and changes in medication pricing and in the general pricing structures that are in place could have an adverse effect on our business, financial condition and results of operations. For example, changes in insurance plan coverage for specific medications could reduce demand for and/or our ability to offer competitive discounts for certain medications, any of which could have an adverse effect on our ability to generate revenue and business.

The market for our model and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the U.S. is undergoing significant structural change and consolidation, which makes it difficult to forecast demand for our solutions.

Negative publicity concerning telehealth generally, our offerings, customer success on our platform, or our market as a whole could limit market acceptance of our business model and services. If our customers do not perceive the benefits of our offerings, or if our offerings do not drive customer use and enrollment, then our market and our customer base may not continue to develop, or they may develop more slowly than we expect. Our success depends in part on the willingness of providers and healthcare organizations to partner with us, increase their use of telehealth, and our ability to demonstrate the value of our technology to providers, as well as our existing and potential customers. If providers, healthcare organizations or regulators work in opposition to us or if we are unable to reduce healthcare costs or drive positive health outcomes for our customers, then the market for our services may not continue to develop, or it might develop more slowly than we expect. Similarly, negative publicity regarding customer confidentiality and privacy in the context of telehealth could limit market acceptance of our business model and services. Additionally, the majority of our revenue is driven by products and services offered through our platform on a subscription basis, and the adoption of subscription business models is still relatively new, especially in the healthcare industry. If customers do not shift to subscription business models and subscription health management tools do not achieve widespread adoption, or if there is a reduction in demand for subscription products and services or subscription health management tools, our business, financial condition, and results of operations could be adversely affected.

Competitive platforms or other technological breakthroughs for the monitoring, treatment, or prevention of medical conditions may adversely affect demand for our offerings.

Our ability to achieve our strategic objectives will depend, among other things, on our ability to enable fast and efficient telehealth consultations, maintain comprehensive and affordable offerings, and deliver an accessible and reliable platform that is more appealing and user-friendly than available alternatives. Our competitors, as well as a number of other companies and providers, within and outside the healthcare industry, are pursuing new devices, delivery technologies, sensing technologies, procedures, treatments, drugs, and other therapies for the monitoring and treatment of medical conditions. Any technological breakthroughs in monitoring, treatment, or prevention of medical conditions that we could not similarly leverage could reduce the potential market for our offerings, which could significantly reduce our revenue and our potential to grow certain aspects of our business.

The introduction by competitors of solutions or offerings that are or claim to be superior to our platform or offerings may create market confusion, which may make it difficult for potential customers to differentiate between the benefits of our offerings and competitive solutions. In addition, the entry of multiple new products may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of products and services we make available. If a competitor develops a product or business that competes with, or is perceived to be superior to our offerings, or if a competitor employs strategies that place downward pressure on pricing within our industry, our revenue may decline significantly or may not increase in line with our forecasts, either of which could adversely affect our business, financial condition, and results of operations.

We operate in highly competitive markets and face competition from large, well-established healthcare providers and more traditional retailers and pharmaceutical providers with significant resources, and, as a result, we may not be able to compete effectively.

The markets for healthcare are intensely competitive, subject to rapid change and significantly affected by new product and technological introductions and other market activities of industry participants. We compete directly not only with other established telehealth providers but also traditional drug manufacturers, healthcare providers, pharmacies, and large retailers that sell non-prescription products, including, for example, nutritional supplements, vitamins, and hair care treatments. Our current competitors include traditional drug manufacturers and healthcare providers expanding into the telehealth market, incumbent telehealth providers, as well as new entrants into our market that are focused on direct-to-consumer healthcare. Our competitors include enterprise-focused companies who may enter the direct-to-consumer healthcare industry, as well as direct-to-consumer healthcare providers. Many of our current and potential competitors may have greater name and brand recognition, longer operating histories, significantly greater resources than we do, and may be able to offer products and services similar to those offered on our platform at more attractive prices than we can. Further, our current or potential competitors may be acquired by third parties with greater available resources, which has recently occurred in our industry. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements and may have the ability to initiate or withstand substantial price competition. In addition, our competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies, or services to increase the availability of their solutions in the marketplace.

New competitors or alliances may emerge that have greater market share, a larger customer base, more widely adopted proprietary technologies, greater marketing expertise, and greater financial resources, which could put us at a competitive disadvantage. For example, some state and federal regulatory authorities lowered certain barriers to the practice of telehealth in order to make remote healthcare services more accessible in response to the COVID-19 pandemic. Although it is unclear whether these regulatory changes will be permanent or that they will have a long-term impact on the adoption of telehealth services by the general public or legislative and regulatory authorities, these changes may result in greater competition for our business. The lower barriers to entry may allow various new competitors to enter the market more quickly and cost effectively than before the COVID-19 pandemic. Additionally, we believe that the COVID-19 pandemic has introduced many new users to telehealth and further reinforced its benefits to potential competitors. We believe this may drive additional industry consolidation or collaboration involving competitors that may create competitors with greater resources and access to potential customers. The COVID-19 pandemic may also cause various traditional healthcare providers to evaluate and eventually pursue telehealth options that can be paired with their in-person capabilities. These industry changes could better position our competitors to serve certain segments of our current or future markets, which could create additional price pressure. In light of these factors, even if our offerings are more effective than those of our competitors, current or potential customers may accept competitive solutions in lieu of purchasing from us. If we are unable to successfully compete with existing and potential competitors, our business, financial condition, and results of operations could be adversely affected.

We have experienced rapid growth in recent periods and expect to continue to invest in our growth for the foreseeable future. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service, or adequately address competitive challenges.

We have recently experienced a period of rapid growth in our headcount and operations. Our revenue grew from $119.0 million for the year ended December 31, 2022 to $153.0 million for the year ended December 31, 2023. Our number of full-time employees has increased significantly over the last few years, from 56 employees as of December 31, 2020 to 207 employees as of December 31, 2023. We anticipate that we will continue to significantly expand our operations and headcount in the near term as we continue to scale domestically. We also anticipate entering the international market to meet perceived demand for our offerings. We are continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. The anticipated benefits from these efforts are based on several assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits, including growth targets and cost savings, that we expect to achieve, or it may be more costly to do so than we anticipate.

This growth has placed, and future growth will place, a significant strain on our management, administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively and execute our business plan. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls, and our reporting systems and procedures, and we will need to ensure that we maintain high levels of patient care and support. Failure to effectively manage growth and execute our business plan could result in difficulty or delays in increasing the size of our customer base, declines in quality of patient care, support, or satisfaction, increases in costs, difficulties in introducing new products or features, or other operational difficulties, and any of these difficulties could adversely affect our business performance and results of operations.

We face risk that may arise from acquisitions, investments and collaborations, which could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business, financial condition, and results of operations. Additionally, if we are not able to identify and successfully consummate these transactions, our results of operations and prospects could be harmed.

We may continue to pursue inorganic methods of growth, including strategic acquisitions and mergers and collaborations, to add complementary or strategic companies, products, solutions, technologies, or revenue. These transactions could be material to our results of operations and financial condition. We also expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The identification of suitable acquisition candidates and strategic partners can be difficult, time-consuming, and costly, and we may not be able to complete acquisitions on favorable terms, if at all. The process of integrating an acquired company, business, or technology, or partnering with another company, may create unforeseen operating difficulties and expenditures.

Acquisitions and collaborations could also result in expenditures of significant cash, dilutive issuances of our equity securities, the incurrence of debt, restrictions on our business, contingent liabilities, amortization expenses, or write-offs of goodwill, any of which could harm our financial condition. In addition, any transactions we announce could be viewed negatively by customers, providers, partners, suppliers, or investors. Additionally, competition within our industry for acquisitions of business, technologies, and assets, and for collaborations, may become intense. Even if we are able to identify an acquisition or collaboration that we would like to consummate, we may not be able to complete the transaction on commercially reasonable terms or the target may be acquired by, or partner with, another company. We may enter into negotiations for transactions that are not ultimately consummated. Those negotiations could result in diversion of management time and significant out-of-pocket costs. If we fail to evaluate and execute transactions successfully, we may not be able to realize the benefits of these transactions, and our results of operations could be harmed. If we are unable to successfully address any of these risks, our business, financial condition, or results of operations could be harmed.

Economic uncertainty or downturns, particularly as it impacts particular industries, could adversely affect our business and results of operations.

In recent years, the U.S. and other significant markets have experienced inflationary pressures and cyclical downturns, and worldwide economic conditions remain uncertain. This has been the case in 2023. Economic uncertainty and associated macroeconomic conditions make it extremely difficult for our partners, suppliers, and us to accurately forecast and plan future business activities and could cause our customers to slow spending on our offerings and could limit the ability of our pharmacy partners to purchase sufficient quantities of pharmaceutical products from suppliers, which could adversely affect our ability to fulfill customer orders and attract new providers. Inflationary pressures may lead to increases in the cost of our products, freight, overhead costs or wage rates and may adversely affect our operating results. Sustained inflationary pressures may have an adverse effect on our ability to maintain current levels of gross profit if we are unable to offset such higher costs through price increases.

A significant downturn in the domestic or global economy may cause our customers to pause, delay, or cancel spending on our platform or seek to lower their costs by exploring alternative providers or our competitors. To the extent purchases of our offerings are perceived by customers and potential customers as discretionary, our revenue may be disproportionately affected by delays or reductions in general healthcare spending. Also, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers. We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or in any particular industry. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be materially adversely affected.

The COVID-19 pandemic has increased interest in and customer use of telehealth solutions, including our platform, and we cannot guarantee that this increased interest will continue after the pandemic.

Due to COVID-19, telehealth has seen a steep increase in use across the industry, in part due to governmental waivers of statutory and regulatory restrictions that have historically limited how telehealth may be used in delivering care in certain jurisdictions. We do not know if this relaxation of regulatory barriers resulting from COVID-19 will remain or for how long. There is renewed focus on telehealth among legislatures and regulators due to COVID-19 and the expanded use of telehealth that could result in regulatory changes inconsistent with or that place additional restrictions on our current business model or operations in certain jurisdictions. If customer adoption of telehealth generally, or our platform in particular materially decreases after the COVID-19 pandemic, or if COVID-19 results in regulatory changes that limit our current activities, our industry, business, and results of operations could be adversely affected.

Our business depends on continued and unimpeded access to the internet and mobile networks.

Our ability to deliver our internet-based and mobile-application based services depends on the development and maintenance of the infrastructure of the internet by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, bandwidth capacity, and security. Our services are designed to operate without interruption. However, we may experience future interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems or those of our service providers, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers, providers, partners, and suppliers.

We also rely on software licensed from third parties in order to offer our services. These licenses are generally commercially available on varying terms. However, it is possible that this software may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of this software could result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Furthermore, our use of additional or alternative third-party software would require us to enter into license agreements with third parties, and integration of our software with new third-party software may require significant work and require substantial investment of our time and resources. Also, any undetected errors or defects in third-party software could prevent the deployment or impair the functionality of our software, delay new updates or enhancements to our solution, result in a failure of our solution, and injure our reputation. The occurrence of any of the foregoing events could have an adverse impact on our business, financial condition, and results of operations.

Any disruption of service at Amazon Web Services, partner pharmacies or other third-party service providers could interrupt access to our platform or delay our customers' ability to seek treatment.

We currently host our platform, serve our customers, and support our operations in the U.S. using Amazon Web Services ("AWS"), a provider of cloud infrastructure services, as well as through partner pharmacies and other third-party service providers, including shipping providers and contract manufacturers. We do not have control over the operations of the facilities of partner pharmacies, AWS, or other third-party service providers. Such facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions in our ability to generate revenue through customer purchases on the platform. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. Our platform's continuing and uninterrupted performance is critical to our success. Because our platform is used by our customers to engage with providers who can diagnose, manage, and treat medical conditions, and pharmacies who can fulfill and ship prescription medication, it is critical that our platform be accessible without interruption or degradation of performance. Customers may become dissatisfied by any system failure that interrupts our ability to provide our platform or access to the products and services offered through our platform to them. Outages and partner pharmacy closures could lead to claims of damages from our customers, providers, partners, suppliers, and others. We may not be able to easily switch our AWS operations to another cloud provider if there are disruptions or interference with our use of AWS. Sustained or repeated system failures could reduce the attractiveness of our offerings to customers and result in contract terminations, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our platform. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our platform. Thus, any such disruptions could have an adverse effect on our business and results of operations.

None of our partner pharmacies, shipping providers, contract manufacturers, nor AWS have an obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with these third-party service providers on commercially reasonable terms, if our agreements with these providers are prematurely terminated, we may experience costs or downtime in connection with the transfer to, or the addition of, such new providers. If these third-party service providers were to increase the cost of their services, we may have to increase the price of our offerings, and our results of operations may be adversely impacted.

We depend on a number of other companies to perform functions critical to our ability to operate our platform, generate revenue from customers, and to perform many of the related functions.

We depend on LifeMD PC and their providers to deliver quality healthcare consultations and services through our platform. Through our platform, providers are able to prescribe medication fulfilled by a partner pharmacy. Any interruption in the availability of a sufficient number of providers or supply from our partner pharmacies could materially and adversely affect our ability to satisfy our customers and ensure they receive consultation services and any medication that they have been prescribed. If we were to lose our relationship with LifeMD PC, we cannot guarantee that we will be able to ensure access to a sufficient network of providers. Similarly, if we were to lose our relationship with one of our partner pharmacies in the near term, we cannot guarantee that we will be able to find, diligence, and engage with a replacement partner in a timely manner. Our ability to service customer requirements could be materially impaired or interrupted in the event that our relationship with LifeMD PC or partner pharmacy is terminated. We also depend on cloud infrastructure providers, payment processors, suppliers of non-prescription products and packaging, and various others that allow our platform to function effectively and serve the needs of our customers. Difficulties with our significant partners and suppliers, regardless of the reason, could have a material adverse effect on our business.

Our payments system depends on third party service providers and is subject to evolving laws and regulations.

We have engaged third-party service providers to perform underlying card processing and currency exchange. If these service providers do not perform adequately or if our relationships with these service providers were to terminate, our ability to accept orders through the platform could be adversely affected and our business could be harmed. In addition, if these service providers increase the fees they charge us, our operating expenses could increase and if we respond by increasing the fees we charge to our customers, we could lose some of our customers.

The laws and regulations related to payments are complex and vary across different jurisdictions in the U.S. and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, could result in liabilities, or could force us to stop offering third-party payment systems. As we expand the availability of payments via third parties or offer new payment methods to our customers in the future, we may become subject to additional regulations and compliance requirements. Further, through our agreement with our third-party credit card processor, we are indirectly subject to payment card association operating rules, and certification requirements, including the Payment Card Industry Data Security Standard. We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. Any such difficulties or failures with respect to the payment systems we utilize may have an adverse effect on our business.

We depend on our talent to grow and operate our business, and if we are unable to hire, integrate, develop, motivate, and retain our personnel, we may not be able to grow effectively.

Our success depends in large part on our ability to attract and retain high-quality management in marketing, engineering, operations, healthcare, regulatory, legal, finance and support functions. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for the planned expansion of our business could harm our results of operations and impair our ability to grow. To attract and retain key personnel, we use various measures, including an equity incentive program for key executive officers and other employees. These measures may not be enough to attract and retain the personnel we require to operate our business effectively. We permit most of our employees to work remotely should their particular positions allow. While we believe that most of our operations can be performed remotely, there is no guarantee that we will be as effective while working remotely because our team is dispersed and many employees may have additional personal needs to attend to or distractions in their remote work environment. To the extent our current or future remote work policies result in decreased productivity, harm our company culture, or otherwise negatively affect our business, our financial condition and results of operations could be adversely affected.

We are at risk that the non-prescription inventory that we store may become damaged, facility disruption may also harm our business.

We hold non-prescription inventory at some of our facilities. A natural disaster, fire, power interruption, work stoppage or other calamity at this facility would significantly disrupt our ability to deliver our products and operate our business. If any material amount of our facility, machinery, or inventory were damaged or unusable, we would be unable to meet our obligations to customers and wholesale partners, which could materially adversely affect our business, financial condition, and results of operations.

We rely significantly on revenue from customers purchasing subscription-based prescription products and may not be successful in expanding our offerings.

To date the majority of our revenue has been, and we expect it to continue to be, derived from customers who purchase subscription-based prescription products through the platform. In our subscription arrangements, customers select a cadence at which they wish to receive product shipments. These customers generate a substantial majority of our revenue. The introduction of competing offerings with lower prices for consumers, fluctuations in prescription prices, changes in consumer purchasing habits, including an increase in the use of mail-order prescriptions, changes in the regulatory landscape, and other factors could result in changes to our contracts or a decline in our revenue, which may have an adverse effect on our business, financial condition, and results of operations. Because we derive a vast majority of our revenue from customers who purchase subscription-based prescription products, any material decline in the use of such offerings could have a pronounced impact on our future revenue and results of operations, particularly if we are unable to expand our offerings overall.

In the past we have, and in the future we may, actively employ social media and Patient Care Center activities as part of our marketing strategy, which could give rise to regulatory violations, liability, breaches of data security, or reputational damage.

Despite our efforts to monitor evolving social media communication guidelines and comply with applicable laws and regulations, there is risk that the use of social media by us, our employees or our customers to communicate about our products or business may cause us to be found in violation of applicable requirements, including requirements of regulatory bodies such as the FDA and the Federal Trade Commission. For example, adverse events, product complaints, off-label usage by physicians, unapproved marketing, or other unintended messages could require an active response from us, which may not be completed in a timely manner and could result in regulatory action by a governing body. In addition, our employees may knowingly or inadvertently make use of social media in ways that may not comply with our social media policy or other legal or contractual requirements, which may give rise to liability, lead to the loss of trade secrets or other intellectual property, or result in public exposure of personal information of our employees, clinical trial patients, customers, and others. Furthermore, negative posts or comments about us or our products in social media could seriously damage our reputation, brand image, and goodwill.

Any significant interruptions in the operations of our Patient Care Center could cause us to lose sales and disrupt our ability to process orders and deliver our solutions in a timely manner.

We rely on our Patient Care Center to sell our products, respond to customer service and technical support requests, and process orders. Any significant interruption in the operation of these facilities, including an interruption caused by our failure to successfully expand or upgrade our systems or to manage these expansions or upgrades, could reduce our ability to receive and process orders and provide products and services, which could result in lost and cancelled sales and damage to our brand and reputation. As we grow, we will need more capacity from our existing Patient Care Center. If our Patient Care Center operators do not convert inquiries into sales at expected rates, our ability to generate revenue could be impaired. Training and retaining qualified Patient Care Center operators is challenging, and if we do not adequately train our Patient Care Center personnel, they may convert inquiries into sales at an acceptable rate.

If our security measures fail or are breached and unauthorized access to a consumer's data is obtained, our services may be perceived as insecure, we may incur significant liabilities, our reputation may be harmed, and we could lose sales and customers.

Our services involve the storage and transmission of customers' and our vendors' proprietary information, sensitive or confidential data, including valuable intellectual property and personal information of employees, consumers, customers, and others, as well as the personal information (including health information and other sensitive information as defined under applicable laws) of our customers. Because of the extreme sensitivity of the information we store and transmit, the security features of our computer, network, and communications systems infrastructure are critical to the success of our business. A breach or failure of our security measures could result from a variety of circumstances and events, including third-party action, employee negligence or error, malfeasance, computer viruses, cyber-attacks by computer hackers, failures during the process of upgrading or replacing software and databases, power outages, hardware failures, telecommunication failures, user errors, or catastrophic events. Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. As cyber threats continue to evolve, we may be required to expend additional resources to further enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. If our security measures fail or are breached, it could result in unauthorized persons accessing sensitive consumer or partner data (including personal information), a loss of or damage to our data, an inability to access data sources, or process data or provide our services to our customers. Such failures or breaches of our security measures, or our inability to effectively resolve such failures or breaches in a timely manner, could severely damage our reputation, adversely affect customers, vendors, or investor confidence in us, and reduce the demand for our services from existing and potential customers. In addition, we could face litigation, damages for contract breach, monetary penalties, or regulatory actions for violation of applicable laws or regulations, and incur significant costs for remedial measures to prevent future occurrences and mitigate past violations. Although we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a security incident.

We may experience cyber-security and other breach incidents that remain undetected for an extended period. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched, we may be unable to anticipate these techniques or to implement adequate preventive measures. If an actual or perceived breach of our security occurs, or if we are unable to effectively resolve such breaches in a timely manner, the market perception of the effectiveness of our security measures could be harmed and we could lose sales, customers, and vendors which could have a material adverse effect on our business, operations, and financial results.

Risks Related to Governmental Regulation

We may be subject to claims that we are engaged in the corporate practice of medicine or that our contractual arrangements with our affiliated medical group constitutes unlawful fee splitting.

We have contracted with physician-owned professional corporations ("P.C.'s") or professional associations ("P.A.'s") to facilitate the delivery of telehealth services to their patients. We have entered into a management services agreement with our affiliated medical group pursuant to which we provide these P.C.'s and P.A.'s with a comprehensive set of non-clinical management and administrative services. The affiliated medical group is solely responsible for practicing medicine and all clinical decision-making and will pay us for our management services from the fees collected from patients. This relationship is subject to various state laws that prohibit fee splitting or the practice of medicine by lay entities or persons. Corporate practice of medicine laws and enforcement varies by state. In some states, decisions and activities such as contracting with third party payors, setting rates and the hiring and management of non-clinical personnel may implicate the restrictions on the corporate practice of medicine.

In addition, corporate practice of medicine restrictions are subject to broad powers of interpretation and enforcement by state regulators. Some of these requirements may apply to us even if we do not have a physical presence in a state, solely because we provide management services to a provider licensed in the state or facilitate the provision of telehealth to a resident of the state. State medical practice boards, other regulatory authorities, or other parties, including the physicians or other providers in our affiliated medical group or with whom we otherwise contract, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements with our affiliated medical group constitutes unlawful fee splitting. In this event, failure to comply could lead to adverse judicial or administrative action against us and/or our affiliated providers, civil or criminal penalties, receipt of cease-and-desist orders from state regulators, loss of provider licenses, the need to make changes to the terms of engagement with providers that interfere with our business and other materially adverse consequences.

In the U.S., we conduct business in a heavily regulated industry, and if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations or experience adverse publicity, which could have a material adverse effect on our business, financial condition, and results of operations.

The U.S. healthcare industry is heavily regulated and closely scrutinized by federal, state and local governments. Comprehensive statutes and regulations govern the manner in which we provide and bill for services and collect reimbursement from governmental programs and private payors (if applicable); our contractual relationships with LifeMD PC, other third-party providers, vendors, and customers; our marketing activities; and other aspects of our operations. Of particular importance are: (1) the federal physician self-referral law, commonly referred to as the Stark Law, that, subject to limited exceptions, prohibits physicians from referring Medicare or Medicaid patients to an entity for the provision of certain "designated health services" if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity, and prohibit the entity from billing Medicare or Medicaid for such designated health services; (2) the federal Anti-Kickback Statute that prohibits the knowing and willful offer, payment, solicitation, or receipt of any bribe, kickback, rebate or other remuneration for referring an individual, in return for ordering, leasing, purchasing, or recommending or arranging for or to induce the referral of an individual or the ordering, purchasing, or leasing of items or services covered, in whole or in part, by any federal healthcare program, such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act; and (3) the criminal healthcare fraud provisions of HIPAA, and related rules that prohibit knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program or falsifying, concealing, or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items, or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Achieving and sustaining compliance with these laws may prove costly. Failure to comply with these laws and other laws can result in civil and criminal penalties such as fines, damages, overpayment, recoupment, imprisonment. The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are sometimes open to a variety of interpretations. Our failure to accurately anticipate the application of these laws and regulations to our business or any other failure to comply with regulatory requirements could create liability for us and negatively affect our business. Any action against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and result in adverse publicity.

Dealing with investigations can be time- and resource-consuming and can divert management's attention from the business. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business. In addition, because of the potential for large monetary exposure under the federal False Claims Act, which provides for treble damages and penalties of $5,000 to $10,000 per false claim or statement, which is further adjusted for inflation, healthcare providers often resolve allegations without admissions of liability for significant and material amounts to avoid the uncertainty of treble damages that may be awarded in litigation proceedings. Such settlements often contain additional compliance and reporting requirements as part of a consent decree, settlement agreement, or corporate integrity agreement. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' compliance with the healthcare reimbursement rules and fraud and abuse laws. The laws, regulations, and standards governing the provision of healthcare services may change significantly in the future. We cannot assure you that any new or changed healthcare laws, regulations, or standards will not materially adversely affect our business. We cannot assure you that a review of our business by judicial, law enforcement, regulatory, or accreditation authorities will not result in a determination that could adversely affect our operations.

State legislative and regulatory changes specific to the area of telehealth law may present the LifeMD PC any remaining third-party medical groups and independent physicians on our platform with additional requirements and state compliance costs, which may create additional operational complexity and increase costs.

LifeMD PC's third-party medical groups', and independent physicians' ability to provide telehealth services to patients in a particular jurisdiction is dependent upon the laws that govern the provision of remote care, the practice of medicine, and healthcare delivery in general in that jurisdiction. Laws and regulations governing the provision of telehealth services are evolving at a rapid pace and are subject to changing political, regulatory, and other influences. Some states' regulatory agencies or medical boards may have established rules or interpreted existing rules in a manner that limits or restricts providers' ability to provide telehealth services or for physicians to supervise nurse practitioners and physician assistants remotely. Additionally, there may be limitations placed on the modality through which telehealth services are delivered. For example, some states specifically require synchronous (or "live") communications and restrict or exclude the use of asynchronous telehealth modalities, which is also known as "store-and-forward" telehealth. However, other states do not distinguish between synchronous and asynchronous telehealth services. Because this is a developing area of law and regulation, we continually monitor compliance in every jurisdiction in which we operate. However, we cannot be assured that third-party medical groups', or independent providers' activities and arrangements, if challenged, will be found to be in compliance with the law or that a new or existing law will not be implemented, enforced, or changed in manner that is unfavorable to our business model. We cannot predict the regulatory landscape for those jurisdictions in which we operate and any significant changes in law, policies, or standards, or the interpretation or enforcement thereof, could occur with little or no notice. The majority of the consultations provided through our platform are asynchronous consultations for customers located in jurisdictions that permit the use of asynchronous telehealth. If there is a change in laws or regulations related to our business, or the interpretation or enforcement thereof, that adversely affects our structure or operations, including greater restrictions on the use of asynchronous telehealth or remote supervision of nurse practitioners or physician assistants, it could have a material adverse effect on our business, financial condition, and results of operations.

Changes in public policy that mandate or enhance healthcare coverage could have a material adverse effect on our business, operations, and/or results of operations.

Our mission is to make healthcare accessible, affordable, and convenient for everyone. It is reasonably possible that our business operations and results of operations could be materially adversely affected by public policy changes at the federal, state, or local level, which include mandatory or enhanced healthcare coverage. Such changes may present us with new marketing and other challenges, which may, for example, cause use of our products and services to decrease or make doing business in particular states less attractive. If we fail to adequately respond to such changes, including by implementing effective operational and strategic initiatives, or do not do so as effectively as our competitors, our business, operations, and results of operations may be materially adversely affected. We cannot predict the enactment or content of new legislation and regulations or changes to existing laws or regulations or their enforcement, interpretation or application, or the effect they will have on our business or results of operations, which could be materially adverse. Even if we could predict such matters, we may not be able to reduce or eliminate the potential adverse impact of public policy changes that could fundamentally change the dynamics of our industry.

Changes in insurance and healthcare laws, as well as the potential for further healthcare reform legislation and regulation, have created uncertainty in the healthcare industry and could materially affect our business, financial condition, and result of operations.

The Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, generally known as the "Health Care Reform Law," significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payers. Since then, the Health Care Reform Law has prompted legislative efforts to significantly modify or repeal the Health Care Reform Law, which may impact how the federal government responds to lawsuits challenging the Health Care Reform Law. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on our business. While we currently only accept payments from customers—not any third parties or insurance providers—and our business model may not be directly impacted by healthcare reform, healthcare reform will impact the healthcare industry in which we operate. If we are required to comply with the Health Care Reform Law and fail to comply or are unable to effectively manage such risks and uncertainties, our financial condition and results of operations could be adversely affected.

The products we sell and our third-party suppliers are subject to FDA regulations and other state and local requirements, and if we or our third party suppliers fail to comply with federal, state, and local requirements, our ability to fulfill customers' orders through our platform could be impaired.

The products available through our platform, and the third-party suppliers and manufacturers of these products, are subject to extensive regulation by the FDA and state and local authorities, including pharmaceuticals, OTC drugs, OTC devices, cosmetics, and dietary supplements. These authorities can enforce regulations related to methods and documentation of the testing, production, compounding, control, quality assurance, labeling, packaging, sterilization, storage, and shipping of products. Government regulations specific to pharmaceuticals are wide ranging and govern, among other things: the ability to bring a pharmaceutical to market, the conditions under which it can be sold, the conditions under which it must be manufactured, and permissible claims that may be made for such product. Failure to meet—or significant changes to—any federal, state, or local requirements attendant to the sales and marketing of a regulated product could result in enforcement actions, impede our ability to provide access to affected products, and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to fines, penalties, and injunctions if we are determined to be promoting the use of products for unapproved uses.

Certain of the products available through our platform require approval by the FDA and are subject to the limitations placed by FDA on the approved uses in the product prescribing information. While providers are legally permitted to prescribe medications for off-label uses, and although we believe our product promotion is conducted in material compliance with FDA and other regulations, if the FDA determines that our product promotion constitutes promotion of an unapproved use of an approved product or of an unapproved product, the FDA could request that we modify our product promotion or subject us to regulatory and/or legal enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine, and criminal penalties. It is also possible that other federal, state, or foreign enforcement authorities might take action if they consider the product promotion to constitute promotion of an unapproved use of an approved product or of an unapproved product, which could result in significant fines or penalties under other statutes, such as laws prohibiting false claims for reimbursement.

The information that we provide to healthcare providers, customers, and our partners could be inaccurate or incomplete, which could harm our business, financial condition, and results of operations.

We collect and transmit healthcare-related information to and from our customers, providers, and partner pharmacies in connection with the telehealth consultations conducted by the providers and prescription medication fulfillment by our partner pharmacies. If the data that we provide to our customers, providers, or partner pharmacies are incorrect or incomplete or if we make mistakes in the capture or input of these data, our reputation may suffer and we could be subject to claims of liability for resulting damages. While we maintain insurance coverage, this coverage may prove to be inadequate or could cease to be available to us on acceptable terms, if at all. Even unsuccessful claims could result in substantial costs and the diversion of management resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition, and results of operations.

Our use, disclosure, and other processing of personally identifiable information, including health information, is subject to federal, state, and foreign privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm and, in turn, a material adverse effect on our customers, providers, and revenue.

Numerous state and federal laws and regulations govern the collection, dissemination, use, privacy, confidentiality, security, availability, integrity, and other processing of health information and other types of personal data or personally identifiable information (“PII”). We believe that, because of our operating processes, we are not a covered entity or a business associate under HIPAA, which establishes a set of national privacy and security standards for the protection of protected health information by health plans, healthcare clearinghouses, and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. Notwithstanding that we do not believe that we meet the definition of a covered entity or business associate under HIPAA, we have executed business associate agreements with certain other parties and have assumed obligations that are based upon HIPAA-related requirements.

In addition to HIPAA, numerous other federal, state, and foreign laws and regulations protect the confidentiality, privacy, availability, integrity and security of health information and other types of PII, including the California Confidentiality of Medical Information Act. These laws and regulations in many cases are more restrictive than, and may not be preempted by, HIPAA and its implementing rules. These laws and regulations are often uncertain, contradictory, and subject to changed or differing interpretations, and we expect new laws, rules and regulations regarding privacy, data protection, and information security to be proposed and enacted in the future. This complex, dynamic legal landscape regarding privacy, data protection, and information security creates significant compliance issues for us, the LifeMD PC and the providers and potentially exposes us to additional expense, adverse publicity, and liability. While we have implemented data privacy and security measures in an effort to comply with applicable laws and regulations relating to privacy and data protection, some health information and other PII or confidential information is transmitted to us by third parties, who may not implement adequate security and privacy measures, and it is possible that laws, rules, and regulations relating to privacy, data protection, or information security may be interpreted and applied in a manner that is inconsistent with our practices or those of third parties who transmit health information and other PII or confidential information to us. If we or these third parties are found to have violated such laws, rules or regulations, it could result in government-imposed fines, orders requiring that we or these third parties change our or their practices, or criminal charges, which could adversely affect our business. Complying with these various laws and regulations could cause us to incur substantial costs or require us to change our business practices, systems, and compliance procedures in a manner adverse to our business.

We also publish statements to our customers through our privacy policy consent to telehealth, and terms and conditions, that describe how we handle health information or other PII. If federal or state regulatory authorities or private litigants consider any portion of these statements to be untrue, we may be subject to claims of deceptive practices. Similarly, the failure to adequately secure personal information may be deemed an unfair trade practice under state and federal consumer protection laws and may violate consumer privacy laws. In each case, violations of these laws could lead to significant liabilities and consequences, including, without limitation, costs of responding to investigations, defending against litigation, settling claims, and complying with regulatory or court orders. Any of the foregoing consequences could seriously harm our business and our financial results. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to us may limit customers’ use and adoption of, and reduce the overall demand for, our platform. Any of the foregoing consequences could have a material adverse impact on our business and our financial results.

Public scrutiny of internet privacy and security issues may result in increased regulation and different industry standards, which could deter or prevent us from providing services to our customers, thereby harming our business.

The regulatory framework for privacy and security issues worldwide is evolving and is likely to remain in flux for the foreseeable future. Various government and consumer agencies have also called for new regulation and changes in industry practices and multiple U.S. states have passed comprehensive consumer privacy laws and consumer health privacy laws over the last three years. Practices regarding the registration, collection, processing, storage, sharing, disclosure, use, and security of personal and other information by companies offering an online service like our platform have recently come under increased public and regulatory scrutiny.

For example, the CCPA and thirteen other state consumer privacy laws require, among other things, covered companies to provide certain disclosures to California consumers and afford such consumers new abilities to opt-out or sharing of personal information and limit the use of sensitive information, including health information. Similar legislation has been proposed or adopted in other states. Furthermore, Washington State’s MHMDA creates new data processing requirements specifically for consumer health data that is not subject to HIPAA, limiting how organizations may use a wide range of consumers’ health-related data, and requiring changes to how impacted organizations obtain consent and authorization to collect, process, and share such information. Aspects of the CCPA, the MHMDA, other comprehensive privacy laws, consumer health data privacy laws, and regulations, as well as their enforcement, remain unclear, and we may be required to modify our internal compliance and data-use practices in an effort to comply with them.

Our business, including our ability to operate and to expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our websites, mobile applications, solutions, features, or our privacy policies. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to responsibly gather and use data from data subjects. Therefore, our business could be harmed by any significant change to applicable laws, regulations, or industry standards or practices regarding the storage, use, or disclosure of data our customers or providers share with us, or regarding the manner in which the express or implied consent of customers or providers for such collection, analysis, and disclosure is obtained. Such changes may require us to modify our platform, possibly in a material manner, and may limit our ability to develop new offerings, functionality, or features.

Risks Related to Intellectual Property and Litigation

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

Our intellectual property includes a combination of patent, copyright, service mark, trademark, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We cannot assure you that any patents will issue with respect to any currently pending patent applications, in a manner that gives us the protection that we seek, if at all, or that any future patents issued to us will not be challenged, invalidated, or circumvented. Our currently issued patents and any patents that we may issue in the future, with respect to pending or future patent applications, may not provide sufficient broad protection or they may not prove to be enforceable in actions against alleged infringers. Also, we cannot assure you that any future service mark registrations will be issued with respect to pending or future applications or that any registered service marks will be enforceable or provide adequate protection of our proprietary rights.

In addition, from time to time we make our technology and other intellectual property available to others under license agreements, including open source license agreements and trademark licenses under agreements with our partners for the purpose of co-branding or co-marketing our products or services. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property.

We strive to protect our intellectual property rights by relying on federal, state, and common law rights and other rights provided under foreign laws. These laws are subject to change at any time and could further restrict our ability to protect or enforce our intellectual property rights. In addition, the existing laws of certain foreign countries in which we operate may not protect our intellectual property rights to the same extent as do the laws of the U.S. The enforcement of our intellectual property rights also depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. Furthermore, effective patent, trademark, service mark, copyright, and trade secret protection may not be available in every country in which our services are available over the Internet. We may, over time, increase our investment in protecting innovations through investments in filings, registrations, or similar steps to protect our intellectual property, and these processes are expensive and time-consuming.

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

Companies in our industry, and other intellectual property rights holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. Our future success depends in part on not infringing upon the intellectual property rights of others. We have in the past and may in the future receive notices that claim we have misappropriated, infringed, or otherwise misused other parties' intellectual property rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, that later result in issued patents that could cover our technology.

Any intellectual property claim against us or parties indemnified by us, regardless of merit, could be time consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding, or business methods found to be in violation of another party's rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense, be infeasible, or make us less competitive in the market. Such disputes could also disrupt our business, which would adversely impact our customer satisfaction and ability to attract customers. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. If we cannot license or develop technology, content, branding, or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively. Additionally, we may be obligated to indemnify our customers in connection with litigation and to obtain licenses or refund subscription fees, which could further exhaust our resources. In the case of infringement or misappropriation caused by technology that we obtain from third parties, any indemnification or other contractual protections we obtain from such third parties, if any, may be insufficient to cover the liabilities we incur as a result of such infringement or misappropriation. Any of these results could harm our results of operations.

We are subject to legal proceedings and litigation, including intellectual property disputes, which are costly to defend and could materially harm our business and results of operations.

From time to time, we are party to lawsuits and legal proceedings in the normal course of business. These matters are often expensive and disruptive to normal business operations. We may face allegations, lawsuits, and regulatory inquiries, audits, and investigations regarding data privacy, security, labor and employment, consumer protection, practice of medicine, and intellectual property infringement, including claims related to privacy, patents, publicity, trademarks, copyrights, and other rights. A portion of the technologies we use incorporates open source software, and we may face claims claiming ownership of open source software or patents related to that software, rights to our intellectual property or breach of open source license terms, including a demand to release material portions of our source code or otherwise seeking to enforce the terms of the applicable open source license. We may also face allegations or litigation related to our acquisitions, securities issuances, or business practices, including public disclosures about our business. Litigation and regulatory proceedings, and particularly the healthcare regulatory and class action matters we could face, may be protracted and expensive, and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our solution or require us to stop offering certain features, all of which could negatively impact our acquisition of customers and revenue growth. We may also become subject to periodic audits, which could likely increase our regulatory compliance costs and may require us to change our business practices, which could negatively impact our revenue growth. Managing legal proceedings, litigation and audits, even if we achieve favorable outcomes, is time-consuming and diverts management's attention from our business.

The results of regulatory proceedings, litigation, claims, and audits cannot be predicted with certainty, and determining reserves for pending litigation and other legal, regulatory, and audit matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our reputation, business, financial condition and results of operations.

If we incur product liability claims, such claims could increase our costs; adversely affect our reputation, business, and results of operations; and we may not be able to maintain or obtain insurance.

Our business involves LifeMD PC's medical providers performing medical consultations and, if warranted, prescribing medication to our customers. This activity, as well as the sale of other products on our platform, exposes us to the risk of negligence and product liability claims. Some of our products are designed for human consumption and use, and we face liability claims if the use of our products is alleged to have resulted in injury or death claims that may be made by customers, third-party service providers, or manufacturers of products and services we make available. To date, we have not (i) conducted any product recalls, (ii) received any product liability claims from third parties, or (iii) received any reports from an end consumer of any adverse effect resulting from our products. A product recall or liability claim against us could result in increased costs and could adversely affect our reputation with our customers, which, in turn, could have an adverse effect on our business, financial condition, and results of operations. While we do maintain product liability insurance coverage, this insurance is subject to deductibles and coverage limitations, and we cannot be sure that we will be able to maintain insurance coverage at acceptable costs or in a sufficient amount, that our insurer will not disclaim coverage as to a future claim or that a product liability claim would not otherwise adversely affect our business, financial condition and results of operations. The cost of any product liability litigation or other proceeding, even if resolved in our favor, could be substantial, could divert management attention, and may result in adverse publicity or result in reduced acceptance of our platform and offerings. These liabilities could prevent or interfere with our growth and expansion efforts. Uncertainties resulting from the initiation and continuation of product liability litigation or other proceedings could have an adverse effect on our ability to compete in the marketplace.

We rely on data center providers, Internet infrastructure, bandwidth providers, third-party computer hardware and software, other third parties and our own systems for providing services to our customers and vendors, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and negatively impact our relationships with customers, adversely affecting our brand and our business.

While we control and have access to our servers, we do not control the operation of these facilities. The cloud vendor and the owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our cloud vendors or data center operators is acquired, we may be required to transfer our servers and other infrastructure to a new vendor or a new data center facility, and we may incur significant costs and possible service interruption in connection with doing so. Problems faced by our cloud vendors or third-party data center locations with the telecommunications network providers with whom we or they contract or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Our cloud vendors or third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy faced by our cloud vendors or third-party data centers operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our cloud or data centers vendors are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect the service levels at our cloud vendors or data centers or cause such cloud systems or data centers and systems to fail. Any changes in third-party service levels at our cloud vendors or data centers or any disruptions or other performance problems with our solution could adversely affect our reputation and may damage our customers' stored files or result in lengthy interruptions in our services. Interruptions in our services may reduce our revenue, cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to potential liability, or adversely affect client renewal rates.

In addition, our ability to deliver our Internet-based services depends on the development and maintenance of the infrastructure of the Internet by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, bandwidth capacity, and security. Our services are designed to operate without interruption in accordance with our service level commitments. However, we have experienced and expect that we may experience future interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers. We exercise limited control over third-party vendors, which increases our vulnerability to problems with technology and information services they provide. Interruptions in our network access and services may in connection with third-party technology and information services reduce our revenue, cause us to issue refunds to customers for prepaid and unused subscription services, subject us to potential liability, or adversely affect client renewal rates. Although we maintain a security and privacy damages insurance policy, the coverage under our policies may not be adequate to compensate us for all losses that may occur related to the services provided by our third-party vendors. In addition, we may not be able to continue to obtain adequate insurance coverage at an acceptable cost, if at all.

Risks Related to Our Financial Reporting, Results of Operations and Capital Requirements

Our results of operations, as well as our key metrics, may fluctuate on a quarterly and annual basis, which may result in us failing to meet the expectations of industry and securities analysts or our investors.

Our results of operations have in the past and could in the future vary significantly from quarter-to-quarter and year-to-year and may fail to match the expectations of securities analysts because of a variety of factors, many of which are outside of our control and, as a result, should not be relied upon as an indicator of future performance. As a result, we may not be able to accurately forecast our results of operations and growth rate. Any of these events, and risk factors discussed in this annual report, could cause the market price of our common stock to fluctuate.

The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, we believe that quarter-to-quarter comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations.

As of December 31, 2023, the Company had total liabilities of $52.9 million. As of December 31, 2023, we had availability of $53.3 million under the ATM Sales Agreement and $32.0 million available under the 2021 Shelf, after giving effect to letters of credit and borrowing base limitations. We and our subsidiaries have the ability to incur additional indebtedness in the future, subject to the restrictions contained in our credit facilities and the indentures governing our outstanding notes. If new indebtedness is added to our current debt levels, interest rates and the related risks that we now face could intensify. Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions, and to certain financial, business and other factors beyond our control. We cannot assure you we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

We have identified a material weakness in our internal control over financial reporting.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and effective disclosure controls and procedures. In particular, under Section 404 of the Sarbanes-Oxley Act, we are required to perform system and process evaluation and testing on the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting. In performing this evaluation and testing, both our management and our independent registered public accounting firm concluded that our internal control over financial reporting is not effective as of December 31, 2023 because of material weaknesses and our independent registered public accounting firm expressed an adverse opinion on the effectiveness of our internal control over financial reporting as of December 31, 2023. See Part II, Item 9A., “Controls and Procedures”. We are, however, addressing this issue and remediating our material weaknesses. Correcting this issue, and thereafter our continued compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. Moreover, if we are not able to correct our internal control issues and comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm continues to identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources. It could adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, which could negatively affect investor confidence in our company, and, as a result, the value of our common stock could be adversely affected.

Risks Related to Investments in our Securities

There can be no assurance that we can continue to pay dividends on our preferred stock. We currently do not intend to pay dividends on our common stock. As a result, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

The declaration, amount and timing of dividends on our securities are subject to capital availability and determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all respective laws and our agreements applicable to the declaration and payment of cash dividends. Our ability to pay dividends will depend upon, among other factors, our cash flows from operations, our available capital and potential future capital requirements for strategic transactions, including acquisitions, debt service requirements, share repurchases and investing in our existing markets as well as our results of operations, financial condition and other factors beyond our control that our Board of Directors may deem relevant. A reduction in or suspension or elimination of our dividend payments could have a negative effect on our stock price.

We pay cumulative cash dividends on the Series A Preferred Stock, when and as declared by our Board of Directors. If we do not pay dividends on any outstanding shares of Series A Preferred Stock for six or more quarterly dividend periods (whether or not declared or consecutive), holders of Series A Preferred Stock will be entitled to elect two additional directors to our Board of Directors to serve until all unpaid dividends have been fully paid or declared and set apart for payment. We currently do not expect to declare or pay dividends on our common stock. In addition, in the future we may enter into agreements that prohibit or restrict our ability to declare or pay dividends on our common stock. As a result, your only opportunity to achieve a return on your investment will be if the market price of our common stock appreciates and you sell your shares at a profit.

Your ownership interest may be diluted by the future issuance of additional shares of our common stock or preferred stock.

We are in a capital intensive business and we may not have sufficient funds to finance the growth of our business or to support our projected capital expenditures. As a result, we will require additional funds from future equity or debt financings, including sales of preferred shares or convertible debt, to complete the development of new projects and pay the general and administrative costs of our business. We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of holders of our common stock and preferred stock. We are currently authorized to issue 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. Additionally, the Board of Directors may subsequently approve increases in authorized common stock and preferred stock. The potential issuance of such additional shares of common or preferred stock or convertible debt may create downward pressure on the trading price of our already outstanding common stock and preferred stock. We may also issue additional shares of common stock or other securities that are convertible into or exercisable for common stock in future public offerings or private placements for capital raising purposes or for other business purposes. The future issuance of a substantial number of common shares or preferred shares, or the perception that such issuance could occur, could adversely affect the prevailing market price of our already outstanding common stock and preferred stock. A decline in the price of our common shares or preferred shares could make it more difficult to raise funds through future offerings of our preferred shares, common shares or securities convertible into common shares.

We have significant numbers of warrants and stock options outstanding, and incentive awards outstanding under our Amended and Restated 2020 Equity and Incentive Plan. To the extent that any of the outstanding warrants and options described above are exercised, dilution, to the interests of our stockholders may occur. For the life of such warrants and options, the holders will have the opportunity to profit from a rise in the price of the common stock with a resulting dilution in the interest of the other holders of common stock. The existence of such warrants and options may adversely affect the market price of our common stock and the terms on which we can obtain additional financing, and the holders of such warrants and options can be expected to exercise them at a time when we would, in all likelihood, be able to obtain additional capital by an offering of our unissued capital stock on terms more favorable to us than those provided by such warrants and options.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

In the ordinary course of our business, we receive, process, use, store, and share digitally large amounts of data, including user data as well as confidential, sensitive, proprietary, and personal information. Maintaining the integrity and availability of our information technology systems and this information, as well as appropriate limitations on access and confidentiality of such information, is important to our operations and business strategy. To this end, we have implemented a program designed to assess, identify, and manage risks from potential unauthorized occurrences on or through our information technology systems that may result in adverse effects on the confidentiality, integrity, and availability of these systems and the data residing in them.

The program is managed and monitored by a dedicated security team, which is led by our Vice President of Information Security and includes mechanisms, controls, technologies, systems, policies and other processes designed to prevent or mitigate data loss, theft, misuse, or other security incidents or vulnerabilities affecting the systems and data residing in them. Cybersecurity incidents are escalated to management when they meet pre-defined severity and impact criteria and to the Board of Directors for major events. Mitigation and remediation are monitored by tracking progress, providing regular updates, and measuring key metrics. The Company continues to formalize its cybersecurity policies and procedures.

Our Vice President of Information Security, who reports directly to the Chief Technology Officer and has over 20 years of experience working in information technology and information security, including more than two years at the Company, together with our Compliance Team, are responsible for assessing and managing cybersecurity risks. We consider cybersecurity, along with other significant risks that we face, within our overall enterprise risk management framework. In the last fiscal year, we have not identified any prior cybersecurity incidents that have materially affected us or is reasonably likely to do so, but we face certain ongoing risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us. Additional information on cybersecurity risks we face is discussed in Part I, Item 1A, “Risk Factors,” under the heading “Risks Related to Our Business and Industry.”

The Board of Directors has oversight for the most significant risks facing us and for our processes to identify, prioritize, assess, manage, and mitigate those risks. The Board of Directors receives regular updates on cybersecurity and information technology matters and related risk exposures from members of the senior leadership team.

ITEM 2. PROPERTIES

All of our facilities are leased domestically including an office space located in Puerto Rico, a U.S. territory. The Company's headquarters are located in New York, New York for which the lease expires in 2025. We operate a marketing and sales center in Huntington Beach, California for which the lease expires in 2024 and a patient care center in Greenville, South Carolina for which the lease expires in 2024. Additionally, we lease warehouse space in Lancaster, Pennsylvania for which the lease expires in 2024. Our majority-owned subsidiary, WorkSimpli leases office space in Puerto Rico for which the lease expires in 2024.

Leased premises range from approximately 1,000 to 14,000 square feet with monthly rents ranging from $1,700 per month to $34,400 per month.

We believe that our existing facilities are adequate for current and presently foreseeable operations. In general, our properties are well maintained and are being utilized for their intended purposes. Additional space may be required as we expand our business activities. We do not foresee any significant difficulties in obtaining additional facilities if deemed necessary.

ITEM 3. LEGAL PROCEEDINGS

We may become involved in various lawsuits and legal proceedings arising in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may have an adverse effect on our business, financial conditions or operating results. Future litigation may be necessary to defend ourselves and our customers by determining the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights. For additional information on pending legal proceedings see Note 10—Commitments and Contingencies to our consolidated financial statements included in this report.

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

The common shares of LifeMD are traded on the Nasdaq Global Market under the symbol to "LFMD".

Approximate Number of Equity Security Holders

As of March 8, 2024, there were approximately 304 holders of record of our common stock, and the last reported sale price of our common stock on the Nasdaq Global Market on March 8, 2024 was $8.00. A significant number of shares of our common stock are held in either nominee name or street name brokerage accounts, and consequently, we are unable to determine the total number of beneficial owners of our stock.

Dividend Policy

We have not paid and do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. We currently expect to retain all future earnings for use in the operation and expansion of our business. The declaration and payment of any cash dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition, and contractual restrictions, if any.

Recent Sales of Unregistered Securities

Other than any sales that were already disclosed under a Current Report on Form 8-K or a Quarterly report on Form 10-Q during the year ended December 31, 2023, there have been no sales of unregistered securities by the Company as of such date except for 543,000 restricted stock awards and 15,000 stock options granted to employees.

ITEM 6. RESERVED

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information necessary to understand our audited consolidated financial statements for the period ended December 31, 2023 and highlight certain other information which, in the opinion of management, will enhance a reader's understanding of our financial condition, changes in financial condition and results of operations. In particular, the discussion is intended to provide an analysis of significant trends and material changes in our financial position and the operating results of our business during the fiscal year ended December 31, 2023, as compared to the fiscal year ended December 31, 2022. This discussion should be read in conjunction with our consolidated financial statements for the two-year period ended December 31, 2023 and related notes included elsewhere in this Annual Report on Form 10-K. These historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains numerous forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks described throughout this filing, particularly in "Item 1A. Risk Factors."

Overview

LifeMD, Inc. is a direct-to-patient telehealth company with a portfolio of health and wellness brands. Our subscriptions and products are marketed and sold directly to consumers through advertisements on Facebook, Google, Amazon, and other social media and e-commerce platforms. Secondarily, we also sell our products through third party partner channels. We market branded and generic prescription drugs that are then sold and shipped online directly to consumers in all 50 states and the District of Columbia and Puerto Rico. We have also established a 50-state medical group that provides virtual consultations to our patients. Since inception, we have treated approximately 854,000 customers and patients nationwide. We operate our business using a proprietary telehealth technology platform that facilitates a compliant relationship between the patient, provider, us and pharmacy.

Our portfolio of brands are included within two operating segments: Telehealth and WorkSimpli. We believe our current segments and brands within our segments complement one another and position us well for future growth.

Developments in 2023

Key developments in our business during 2023 are described below:

Medifast Collaboration and Private Placement

On December 11, 2023, the Company entered into a collaboration with Medifast, Inc. through and with certain of its wholly-owned subsidiaries ("Medifast"). Medifast will utilize the Company's virtual care technology platform to provide its clients access to a clinically supported weight management program, including GLP-1 medications, which are a class of medications that mainly help manage blood sugar (glucose) levels in people with Type 2 diabetes but can also treat obesity. Pursuant to certain agreements between the parties, Medifast has agreed to pay to the Company the amount of $10 million to support the collaboration, funding enhancements to the Company platform, operations and supporting infrastructure, of which $5 million was paid at the closing on December 12, 2023, and the remainder is to be paid in two $2.5 million installments on March 31, 2024 and June 30, 2024 (or earlier upon the Company's achievement of certain program milestones) (the "Medifast Collaboration").

In addition, in connection with the Medifast Collaboration, the Company entered into a stock purchase agreement and registration rights agreement with Medifast's wholly-owned subsidiary, Jason Pharmaceuticals, Inc., whereby the Company issued 1,224,425 shares of its common stock in a private placement (the "Medifast Private Placement") at a purchase price of $8.1671 per share, for aggregate proceeds of approximately $10 million. The Company granted Jason Pharmaceuticals the right, for a period contemporaneous with the ongoing collaboration, to appoint one non-voting observer to the Board of Directors of the Company, entitled to attend Board meetings.

Series B Preferred Stock Conversion

On July 10, 2023 and August 14, 2023, PA001 Holdings, LLC ("PA001 Holdings"), the holder of the Company's Series B Preferred Stock, elected to convert 2,275 and 1,225 shares, respectively, of the Company's Series B Preferred Stock into common stock, at a price of $3.25 per share of Series B Preferred Stock, pursuant to the terms of the Securities Purchase Agreement dated August 28, 2020 (the "PA001 Securities Purchase Agreement"). The conversion was calculated based on the original issuance price of the Series B Preferred Stock plus all accrued dividends to date. The conversion resulted in 1,010,170 and 550,694 shares of the Company's common stock issued to PA001 Holdings, on July 12, 2023 and August 15, 2023, respectively. In connection with the PA001 Securities Purchase Agreement, the Company and PA001 Holdings entered into a registration rights agreement pursuant to which the Company agreed to register the shares of the Company's common stock underlying the Series B Preferred Stock and associated warrants.

Avenue Capital Credit Facility

On March 21, 2023, the Company entered into and closed on a loan and security agreement (the "Avenue Credit Agreement"), and a supplement to the Credit Agreement (the "Avenue Supplement"), with Avenue Venture Opportunities Fund II, L.P. and Avenue Venture Opportunities Fund, L.P. (collectively, "Avenue"). The Avenue Credit Agreement provides for a convertible senior secured credit facility of up to an aggregate amount of $40 million, comprised of the following: (1) $15 million in term loans funded at closing, (2) $5 million of additional committed term loans which the Company received on September 26, 2023 under the First Amendment to the Avenue Credit Agreement (the "Avenue First Amendment") and (3) $20 million of additional uncommitted term loans, collectively referred to as the "Avenue Facility". The Avenue Facility matures on October 1, 2026. The Company issued Avenue warrants to purchase $1.2 million of the Company's common stock at an exercise price of $1.24, subject to adjustments (the "Avenue Warrants"). In addition, Avenue may convert up to $2 million of the $15 million in term loans funded at closing into shares of the Company's common stock at any time while the loans are outstanding, at a price per share equal to $1.49. Proceeds from the Avenue Facility were used to repay the Company's outstanding notes payable balances with CRG Financial and are expected to be used for general corporate purposes. The Company is subject to certain affirmative and negative covenants under the Avenue Facility, including the requirement, beginning on the closing date, to maintain at least $5 million of unrestricted cash to be tested at the end of each month, and beginning on the period ended September 30, 2023, and at the end of each quarter thereafter, a trailing six-month cash flow, subject to certain adjustments as provided by the Avenue Credit Agreement, of at least $2 million.

On November 15, 2023, Avenue converted $1 million of the principal amount of the outstanding term loans into shares of the Company's common stock. This resulted in 672,042 shares of common stock issued to Avenue. Additionally on November 15, 2023, Avenue exercised 96,773 of the Avenue Warrants on a cashless basis, resulting in 79,330 shares of the Company's common stock issued.

As of December 31, 2023, there was $19 million outstanding under the Avenue Facility and the Company was in compliance with the Avenue Facility covenants.

Amendment to the Cleared Stock Purchase Agreement

On February 4, 2023, the Company entered into the First Amendment (the 'Cleared First Amendment") to the Stock Purchase Agreement, dated January 11, 2022, between the Company and the sellers of Cleared (the "Cleared Stock Purchase Agreement"). The Cleared Stock Purchase Agreement was amended to, among other things: (i) reduce the total purchase price by $250 thousand to a total of $3.67 million; (ii) change the timing of the payment of the purchase price to $460 thousand paid at closing, with the remaining amount to be paid in five quarterly installments beginning on or before February 6, 2023 and ending January 15, 2024; (iii) removing all "earn-out" payments payable by the Company to the sellers; and (iv) removing certain representations and warranties of the Company and sellers in connection with the transaction (See Note 3—Acquisitions to our consolidated financial statements included in this report). The Company issued the following shares of common stock to the sellers of Cleared under the Cleared First Amendment: (1) 337,895 shares on February 6, 2023, (2) 455,319 shares on April 17, 2023, (3) 158,129 shares on July 17, 2023, (4) 117,583 shares on October 17, 2023 and (5) 95,821 shares on January 16, 2024.

WorkSimpli Software Capitalization Update

Effective March 31, 2023, the Company redeemed 500 membership interest units in WorkSimpli. Following the retirement, Conversion Labs PR's ownership interest in WorkSimpli increased to 74.06%. On June 30, 2023, WorkSimpli's Chief Operating Officer, exercised her option agreement (the "WorkSimpli COO Option Agreement") to purchase 889 membership interest units of WorkSimpli for an exercise price of $1.00 per membership interest unit. Following the exercise of the WorkSimpli COO Option Agreement, Conversion Labs PR decreased its ownership interest in WorkSimpli from 74.06% to 73.32%.

2020 Equity and Incentive Plan

On January 8, 2021, the Company approved the 2020 Equity and Incentive Plan (the "2020 Plan"). The 2020 Plan is administered by the Compensation Committee of the Board and initially provided for the issuance of up to 1,500,000 shares of Common Stock. The number of shares of Common Stock available for issuance under the 2020 Plan automatically increases by 150,000 shares of Common Stock on January 1st of each year, for a period of not more than ten years, commencing on January 1, 2021 and ending on (and including) January 1, 2030. Awards under the 2020 Plan can be granted in the form of stock options, non-qualified and incentive options, stock appreciation rights, restricted stock, and restricted stock units.

On June 24, 2021, at the Annual Meeting of Stockholders, the stockholders of the Company approved an amendment to the 2020 Plan to increase the maximum number of shares of the Company's common stock available for issuance under the 2020 Plan by 1,500,000 shares.

On June 16, 2022, at the Annual Meeting of Stockholders, the stockholders of the Company approved an amendment to the 2020 Plan to increase the maximum number of shares of the Company's common stock available for issuance under the 2020 Plan by an additional 1,500,000 shares. As of December 31, 2023, the 2020 Plan, as amended and restated, provided for the issuance of up to 4,950,000 shares of Common Stock. Remaining authorization under the 2020 Plan, as amended and restated, was 61,611 shares as of December 31, 2023.

Results of Operations

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

Our financial results for the year ended December 31, 2023 are summarized as follows in comparison to the year ended December 31, 2022:

	December 31, 2023		December 31, 2022	
	$	*% of Sales*	*$*	*% of Sales*
Telehealth revenue, net	$ 98,152,919	64.34%	$ 82,649,845	69.43%
WorkSimpli revenue, net	54,394,087	35.66%	36,383,675	30.57%
Total revenue, net	152,547,006	100.00%	119,033,520	100.00%
Cost of telehealth revenue	17,480,533	11.46%	17,843,754	14.99%
Cost of WorkSimpli revenue	1,419,931	0.93%	824,274	0.69%
Total cost of revenue	18,900,464	12.39%	18,668,028	15.68%
Gross profit	133,646,542	87.61%	100,365,492	84.32%
Selling and marketing expenses	76,451,466	50.12%	78,369,430	65.84%
General and administrative expenses	51,694,232	33.89%	46,960,782	39.45%
Other operating expenses	6,297,321	4.13%	6,717,795	5.64%
Customer service expenses	7,632,283	5.00%	5,033,468	4.23%
Development costs	6,060,513	3.97%	2,970,202	2.50%
Goodwill and intangible asset impairment charges	-	-%	8,862,596	7.45%
Change in fair value of contingent consideration	-	-%	(5,101,000)	(4.29)%
Total expenses	148,135,815	97.11%	143,813,273	120.82%
Operating loss	(14,489,273)	(9.50)%	(43,447,781)	(36.50)%
Interest expense, net	(2,596,586)	(1.70)%	(1,275,946)	(1.07)%
(Loss) gain on debt extinguishment	(325,198)	(0.21)%	63,400	0.05%
Loss from operations before income taxes	(17,411,057)	(11.41)%	(44,660,327)	(37.52)%
Income tax provision	(428,000)	(0.28)%	(360,700)	(0.30)%
Net loss	(17,839,057)	(11.69)%	(45,021,027)	(37.82)%
Net income attributable to non-controlling interest	2,756,935	1.81%	514,632	0.43%
Net loss attributable to LifeMD, Inc.	(20,595,992)	(13.50)%	(45,535,659)	(38.25)%
Preferred stock dividends	(3,106,250)	(2.04)%	(3,106,250)	(2.61)%
Net loss attributable to common stockholders	$ (23,702,242)	(15.54)%	$ (48,641,909)	(40.86)%

Total revenue, net. Revenues for the year ended December 31, 2023 were approximately $152.5 million, an increase of 28% compared to approximately $119.0 million for the year ended December 31, 2022. The increase in revenues was attributable to both the increase in telehealth revenue of 19% and an increase in WorkSimpli revenue of 50%. Telehealth revenue accounts for 64% of total revenue and has increased during the year ended December 31, 2023 due to an increase in online sales demand primarily for LifeMD virtual primary care which experienced an increase in revenue of approximately $11.8 million during the year ended December 31, 2023 compared to the year ended December 31, 2022, Medifast Collaboration revenue and a decrease in product refunds and rebates. WorkSimpli revenue accounts for 36% of total revenue and has steadily increased year over year due to a combination of higher demand, increased market awareness, enhanced digital capabilities, continued marketing campaign expansion and the addition of the ResumeBuild brand in the first quarter of 2022.

Total cost of revenue. Total cost of revenue consists of (1) the cost of telehealth revenues, which primarily include product costs, pharmacy fulfillment costs, physician consult fees, and shipping costs directly attributable to our prescription and OTC products and (2) the cost of WorkSimpli revenue consisting primarily of information technology fees related to providing the services made available on our online platform. Total cost of revenue increased by approximately 1% to approximately $18.9 million for the year ended December 31, 2023 compared to approximately $18.7 million for the year ended December 31, 2022. The combined cost of revenue increase was due to an increase in WorkSimpli sales volume partially offset by improved pricing on telehealth costs during the year ended December 31, 2023 when compared to the year ended December 31, 2022. Telehealth costs decreased to 18% of associated telehealth revenues during the year ended December 31, 2023, from 22% of associated telehealth revenues during the year ended December 31, 2022 primarily due to improved pricing on pharmacy fulfillment costs and shipping. WorkSimpli costs increased to 3% of associated WorkSimpli revenues during the year ended December 31, 2023, from 2% of associated WorkSimpli revenues during the year ended December 31, 2022.

Gross profit. Gross profit increased by approximately 33% to approximately $133.6 million for the year ended December 31, 2023 compared to approximately $100.4 million for the year ended December 31, 2022. Gross profit as a percentage of revenues was 88% for the year ended December 31, 2023 compared to 84% for the year ended December 31, 2022. Gross profit as a percentage of revenues for telehealth was 82% for the year ended December 31, 2023 compared to 78% for the year ended December 31, 2022, and for WorkSimpli was 97% for the year ended December 31, 2023 compared to 98% for the year ended December 31, 2022. The increase in sales volume for both telehealth and WorkSimpli, Medifast Collaboration revenue, improved pricing and a decrease in product refunds and rebates have contributed to the increase in gross profit.

Total expenses. Operating expenses for the year ended December 31, 2023 were approximately $148.1 million, as compared to approximately $143.8 million for the year ended December 31, 2022. This represents an increase of 3%, or $4.3 million. The increase is primarily attributable to:

(i) General and administrative expenses: During the year ended December 31, 2023, stock-based compensation was $12.5 million, with the majority related to stock compensation expense attributable to service-based stock options and restricted stock units, as compared to stock-based compensation expense of $13.7 million for the year ended December 31, 2022. This category also consists of merchant processing fees, payroll expenses for corporate employees, taxes and licenses, amortization expense and legal and professional fees. During the year ended December 31, 2023, the Company had an increase of approximately $4.7 million in general and administrative expenses, primarily related to increases in compensation costs and WorkSimpli dividends paid during the year ended December 31, 2023.

(ii) Customer service expenses: This consists of rent, insurance, payroll and benefit expenses related to the Company's customer service department located in South Carolina and Puerto Rico. During the year ended December 31, 2023, the Company had an increase of approximately $2.6 million, or 52%, primarily related to increases in infrastructure costs and headcount in the Company's customer service department.

(iii) Development costs: This mainly relates to third-party technology services for developing and maintaining our online platforms and information technology services for our online products. During the year ended December 31, 2023, the Company had an increase of approximately $3.1 million, or 104%, primarily resulting from technology platform improvements and amortization expenses.

(iv) Change in fair value of contingent consideration: During the year ended December 31, 2022, the Company recorded a $5.1 million reduction to the Cleared contingent consideration as a result of the remeasurement of the fair value. The decline in the estimated fair value of the Cleared contingent consideration is a result of a decline in the Cleared financial projections and the removal of all earn-out payments payable by the Company from the terms of the Cleared First Amendment.

These increases in operating expenses were partially offset by decreases in the following:

(i) Selling and marketing expenses: This mainly consists of online marketing and advertising expenses. During the year ended December 31, 2023, the Company had a decrease of approximately $1.9 million, or 2%, in selling and marketing costs as a result of a Company-wide strategic reduction in costs and alignment of sales and marketing initiatives to drive the Company's recurring revenue subscription-based sales model.

(ii) Other operating expenses: This consists of rent and lease expense, insurance, office supplies and software subscriptions, royalty expense and bank charges. During the year ended December 31, 2023, the Company had a decrease of approximately $420 thousand, or 6%, primarily related to decreases in office supplies and software subscriptions.

(iii) Goodwill impairment charge: During the year ended December 31, 2022, the Company recorded an $8.9 million goodwill impairment charge related to a decline in the estimated fair value of Cleared as a result of a decline in the Cleared financial projections.

Interest expense, net. Interest expense, net consists of interest expense related to the Avenue Facility, notes payable and the Series B Preferred Stock for the year ended December 31, 2023 and interest expensed on the Company's notes payable and Series B Convertible Preferred Stock for the year ended December 31, 2022. Interest expense increased by approximately $1.3 million during the year ended December 31, 2023 as compared to the year ended December 31, 2022 primarily due to interest expensed on the Avenue Facility during the year ended December 31, 2023.

(Loss) gain on debt extinguishment. The Company recorded a $325 thousand loss on debt extinguishment related to the repayment of the CRG Financial loan during the year ended December 31, 2023 due to a prepayment penalty and various fees associated with the CRG Financial loan. The Company recorded a $63 thousand gain on debt forgiveness of Paycheck Protection Program ("PPP") loans during the year ended December 31, 2022.

Working Capital

	December 31, 2023	December 31, 2022
Current assets	$ 42,604,267	$ 11,311,357
Current liabilities	34,781,724	31,374,151
Working capital (deficit)	$ 7,822,543	$ (20,062,794)

Working capital increased by approximately $27.9 million during the year ended December 31, 2023. The increase in current assets is primarily attributable to an increase in cash of approximately $29.2 million as a result of the Avenue Facility and the Medifast Collaboration and Private Placement and an increase in accounts receivable of $2.4 million. Current liabilities increased by $3.4 million, which was primarily attributable to an increase in deferred revenue of $3.3 million and an increase in accounts payable and accrued expenses of $2.7 million, partially offset by a decrease in notes payable of $2.5 million.

Liquidity and Capital Resources

	Year Ended December 31,	
	2023	2022
Net cash provided by (used in) operating activities	$ 8,820,232	$ (22,935,149)
Net cash used in investing activities	(8,733,284)	(13,905,733)
Net cash provided by (used in) financing activities	29,100,820	(528,200)
Net increase (decrease) in cash	29,187,768	(37,369,082)

Net cash provided by operating activities was approximately $8.8 million for the year ended December 31, 2023, as compared with net cash used in operating activities of approximately $22.9 million for the year ended December 31, 2022. The increase in net cash provided by operating activities was primarily related to the decrease in the Company's net loss of $27.2 million to $17.8 million for the year ended December 31, 2023, as compared with $45.0 million for the year ended December 31, 2022. Other significant factors contributing to net cash provided by operating activities during the year ended December 31, 2023, include $12.5 million in non-cash stock-based compensation charges, $6.9 million in non-cash depreciation and amortization, a net increase in accounts payable, accrued expenses and other operating activities of $5.1 million, an increase in deferred revenue of $3.3 million and a $325 thousand loss on debt extinguishment. The significant factors contributing to the net cash used in operating activities during the year ended December 31, 2022, include $13.7 million in non-cash stock-based compensation charges, $8.9 million in non-cash goodwill and intangible asset impairment charges related to a decline in the estimated fair value of Cleared as a result of a decline in the Cleared financial projections and $3.8 million in non-cash depreciation and amortization, partially offset by a $5.1 million reduction to the Cleared contingent consideration as a result of the remeasurement of the fair value. Additionally, an increase in inventory of $2.2 million due to the timing of purchases, an increase in accounts receivable of $2.2 million and a decrease in accrued expenses and other operating activities of $2.2 million excluding noncontingent payments to Cleared contributed to net cash used in operations for the year ended December 31, 2022. These factors contributing to net cash used in operations were partially offset by an increase in deferred revenue of $4.0 million due to increased sales for products which the customer has not yet obtained control due to delivery not commensurate upon shipment of the product and accounts payable of $1.3 million as a result of the Company extending payables and credit terms with vendors.

Net cash used in investing activities for the year ended December 31, 2023 was approximately $8.7 million, as compared with net cash used in investing activities of $13.9 million for the year ended December 31, 2022. Net cash used in investing activities for the year ended December 31, 2023 was primarily due to cash paid for capitalized software costs of approximately $8.4 million, cash paid for the purchase of equipment of $204 thousand and cash paid for the purchase of intangible assets of approximately $149 thousand. Net cash used in investing activities for the year ended December 31, 2022 was primarily due to cash paid for capitalized software costs of approximately $8.5 million, cash paid for the purchase of the ResumeBuild brand of approximately $4.0 million, cash paid for the Cleared acquisition of approximately $1.0 million and cash paid for the purchase of equipment of $367 thousand.

Net cash provided by financing activities for the year ended December 31, 2023 was approximately $29.1 million as compared with net cash used in financing activities of approximately $528 thousand for the year ended December 31, 2022. During the year ended December 31, 2023, net cash provided by financing activities consisted of: (1) $19.5 million in net proceeds received from the Avenue Facility, (2) $10 million in proceeds received from the Medifast Private Placement, (3) $6.2 million in net proceeds received from the sale of common stock under the ATM Sales Agreement (as defined below), (4) $2.3 million in proceeds received from notes payable and (5) $95 thousand in proceeds received from the exercise of stock options. These factors contributing to net cash provided by financing activities were partially offset by repayments of notes payable of approximately $5.1 million net of a $325 thousand loss on debt extinguishment on the CRG Financial loan, preferred stock dividends of approximately $3.1 million, contingent consideration payments made related to the ResumeBuild brand acquisition of approximately $313 thousand, net payments made related to adjustments in the membership interest units of WorkSimpli of approximately $306 thousand, and distributions to non-controlling interest of $144 thousand. During the year ended December 31, 2022, net cash used in financing activities consisted of preferred stock dividends of $3.1 million, repayment of notes payable of $169 thousand, contingent consideration payments made related to the ResumeBuild brand acquisition of $156 thousand and distributions to non-controlling interest of $144 thousand. These decreases were partially offset by proceeds from notes payable of $2.9 million, proceeds from the exercise of options and warrants of $129 thousand and proceeds received from the sale of a portion of the Company's membership interest in WorkSimpli of $12 thousand.

Liquidity and Capital Resources Outlook

To date, the Company has been funding operations primarily through the sales of its products, issuance of common and preferred stock, and through loans and advances. The Company's continued operations are dependent upon obtaining an increase in its sale volumes and obtaining funding from third-party sources or the issuance of additional shares of common stock. Our primary short-term and long-term requirements for liquidity and capital are for customer acquisitions, funding business acquisitions and investments we may make from time to time, working capital including our noncancelable operating lease obligations, noncontingent consideration, capital expenditures and general corporate purposes. For more information on our operating lease obligations, see Note 9—Leases to our consolidated financial statements included in this report. There can be no assurances that we will be successful in increasing revenues, improving operational efficiencies, or that financing will be available or, if available, that such financing will be available under favorable terms.

On December 11, 2023, the Company entered into a collaboration with Medifast. Pursuant to certain agreements between the parties, Medifast has agreed to pay to the Company the amount of $10 million to support the collaboration, funding enhancements to the Company platform, operations and supporting infrastructure, of which $5 million was paid at the closing on December 12, 2023, and the remainder is to be paid in two $2.5 million installments on March 31, 2024 and June 30, 2024 (or earlier upon the Company's achievement of certain program milestones). See "Medifast Collaboration and Private Placement" under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In addition, in connection with the Medifast Collaboration, on December 11, 2023, the Company entered into a stock purchase agreement with Medifast's wholly-owned subsidiary, Jason Pharmaceuticals, Inc., whereby the Company issued 1,224,425 shares of its common stock in the Medifast Private Placement, at a purchase price of $8.1671 per share, for aggregate proceeds of approximately $10 million.

On March 21, 2023, the Company entered into and closed on the Avenue Credit Agreement, and the Avenue Supplement. The Avenue Credit Agreement provides for a convertible senior secured credit facility of up to an aggregate amount of $40 million, comprised of the following: (1) $15 million in term loans funded at closing, (2) $5 million of additional committed term loans which the Company received on September 26, 2023 under the Avenue First Amendment and (3) $20 million of additional uncommitted term loans, collectively referred to as the "Avenue Facility". The Avenue Facility matures on October 1, 2026. The Company issued Avenue Warrants to purchase $1.2 million of the Company's common stock at an exercise price of $1.24, subject to adjustments. In addition, Avenue may convert up to $2 million of the $15 million in term loans funded at closing into shares of the Company's common stock at any time while the loans are outstanding, at a price per share equal to $1.49. Proceeds from the Avenue Facility were used to repay the Company's outstanding notes payable balances with CRG Financial and are expected to be used for general corporate purposes. As of December 31, 2023, there was $19 million outstanding under the Avenue Facility, and the Company was in compliance with the Avenue Facility covenants. Loans under the Avenue Facility accrue interest at a variable rate per annum equal to the greater of (i) the sum of 4.75% plus the Prime Rate (as defined in the Avenue Supplement) and (ii) 12.50%. At December 31, 2023, the interest rate was 13.25%. Payments are interest only until November 2024. The Company may prepay the loans, subject to a prepayment penalty of 1.00% to 3.00% of the principal amount prepaid, depending on the timing of the prepayment.

In January and February 2023, the Company received proceeds of $2 million under a $2.5 million loan facility with CRG Financial, maturing on December 15, 2023. The loan facility includes interest of 12%. The Company repaid the $2 million outstanding loan balance on March 21, 2023 with the proceeds received from the Avenue Facility and recorded a $325 thousand loss on debt extinguishment due to a prepayment penalty and various fees associated with the CRG Financial loan. As of both December 31, 2023 and 2022, the outstanding balance was $0 related to the CRG Financial loan.

During the year ended December 31, 2023, the Company received proceeds of $348 thousand under a 10-month financing agreement with Arthur J. Gallagher Risk Management Services, LLC. The terms of the agreement include finance fees in the amount of $13 thousand. As of December 31, 2023 and 2022, the outstanding balance was $217 thousand and $0, respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet.

In October 2022, the Company received proceeds of $976 thousand under a 12-month working capital loan with Amazon. The terms of the loan include interest in the amount of $62 thousand. As of December 31, 2023 and 2022, the outstanding balance was $111 thousand and $976 thousand, respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet. The outstanding balance as of December 31, 2023 was repaid in January 2024.

In November 2022, the Company received proceeds of $1.9 million under two 10-month working capital loans with Balanced Management. The terms of the loans include loan origination fees in the amount of $60 thousand and total interest of $840 thousand. As of December 31, 2023 and 2022, the outstanding balance was $0 and $1.821 million, respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet.

On June 8, 2021, the Company filed a shelf registration statement on Form S-3 under the Securities Act, which was declared effective on June 22, 2021 (the "2021 Shelf"). Under the 2021 Shelf at the time of effectiveness, the Company originally had the ability to raise up to $150 million by selling common stock, preferred stock, debt securities, warrants, and units. In conjunction with the 2021 Shelf, the Company also entered into an At Market Issuance Sales Agreement (the "ATM Sales Agreement") with B. Riley Securities, Inc. and Cantor Fitzgerald & Co. relating to the sale of its common stock. In accordance with the terms of the ATM Sales Agreement, the Company may, but is not obligated to, offer and sell, from time to time, shares of common stock, through or to the Agents, acting as agent or principal. Sales of common stock, if any, will be made by any method permitted that is deemed an "at the market offering" as defined in Rule 415 under the Securities Act. As of December 31, 2023, the Company had $53.3 million available under the ATM Sales Agreement and $32.0 million available under the 2021 Shelf.

The Company reviewed its forecasted operating results and sources and uses of cash used in management's assessment, which included the available financing and consideration of positive and negative evidence impacting management's forecasts, market, and industry factors. Positive indicators that lead to its conclusion that the Company will have sufficient cash over the next 12 months following the date of this report include: (1) its continued strengthening of the Company's revenues and improvement of operational efficiencies across the business, (2) the expected continued improvement in its cash burn rate over the next 12 months and positive operating cash flows during the year ended December 31, 2023, (3) positive working capital of $7.8 million as of December 31, 2023, (4) $53.3 million available under the ATM Sales Agreement and $32.0 million available under the 2021 Shelf, (5) current cash balance of approximately $26.4 million as of the filing date, (6) management's ability to curtail expenses, if necessary, and (7) the overall market value of the telehealth industry and how it believes that will continue to drive interest in the Company already evidenced by the Medifast Collaboration and Private Placement noted above.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking into account our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

Our significant accounting policies are more fully described in Note 2—Summary of Significant Accounting Policies to our consolidated financial statements included in this report. We believe that these accounting policies are critical for one to fully understand and evaluate our financial condition and results of operations.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which requires an entity to utilize the current expected credit loss ("CECL") impairment model to estimate its lifetime "expected credit loss" and record an allowance that is deducted from the amortized cost basis of the financial assets and certain other instruments, including but not limited to available-for-sale debt securities. Credit losses relating to available-for-sale debt securities are recorded through an allowance for credit losses. ASU 2016-13 requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments —Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*, which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022 for all entities except SEC reporting companies that are not smaller reporting companies. The Company adopted ASU 2016-13 as of January 1, 2023. The adoption did not have a material impact on the Company's financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805); Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This new guidance affects all entities that enter into a business combination within the scope of ASC 805-10. Under this new guidance, the acquirer should determine what contract assets and/or liabilities it would have recorded under ASC 606, *Revenue from Contracts with Customers*, as of the acquisition date, as if the acquirer had entered into the original contract at the same date and on the same terms as the acquirer. Under current U.S. GAAP, contract assets and contract liabilities acquired in a business combination are recorded by the acquirer at fair value. The Company adopted ASU 2021-08 as of January 1, 2023. The adoption did not have a material impact on the Company's financial statements.

Other Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 will become effective for the Company's annual period beginning on January 1, 2024. The Company does not expect the application of ASU 2023-07 to have a material impact to its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to improve its income tax disclosure requirements. Under ASU 2023-09, entities must annually: (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will become effective for the Company beginning on January 1, 2025. The Company does not expect the application of ASU 2023-09 to have a material impact to its consolidated financial statements and related disclosures.

All other accounting standards updates that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is included following the "Index to Financial Statements" on page F-1 contained in this Annual Report on Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our chief executive officer and chief financial officer concluded that, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

Management's Annual Report on Internal Control Over Financial Reporting

Management of our Company and its consolidated subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its chief executive and chief financial officers and effected by the Company's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness in Internal Control over Financial Reporting

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting was not effective.

A material weakness, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified the following control deficiencies during the year ended December 31, 2023 that constituted material weaknesses:

- Ineffective design, implementation, and operation of controls over program change management, user access and vendor management to ensure:

  (i) information technology ("IT") program and data changes affecting the Company's financial IT applications and underlying accounting records, are identified, tested, authorized, and implemented appropriately to validate that data produced by its relevant IT systems were complete and accurate. Automated process-level and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency;
  (ii) appropriate restrictions that would adequately prevent users from gaining inappropriate access to the financially relevant systems; and
  (iii) key third-party service provider Systems and Organizational Controls ("SOC") reports were obtained and reviewed.

- Business process controls across the entity's financial reporting processes were not effectively designed and implemented to properly address the risk of material misstatement from:

  (i) insufficient evidence to verify the completeness and accuracy of manually generated Information Produced by the Entity ("IPE") and system generated IPE; and
  (ii) insufficient evidence of formal review and approval procedures of key information utilized in the performance of the control.

Management is in the process of remediating these identified material weaknesses.

Management's Plan to Remediate the Material Weakness

To remediate the identified material weaknesses, our management, with oversight from our audit committee, implemented a remediation plan. The Company has taken the following remediation steps during the year ended December 31, 2023:

(i) engaged an independent third-party consulting firm to conduct internal control walkthroughs and testing and to provide assistance with deficiency remediation;
(ii) prepared risk assessments of our financial statement accounts in accordance with the COSO 2013 Framework;
(iii) developed risk and control matrices for critical internal control processes supporting internal control over financial reporting;
(iv) created key process flowcharts, including documentation of key and compensating controls;
(v) assessed the design and operating effectiveness of our controls;
(vi) identified control gaps and weaknesses in the design and operating effectiveness of our controls;
(vii) implemented a ticketing system for user provisioning, modifications, and termination;
(viii) formalized information technology change management processes and retention of audit documentation;
(ix) established policies and procedures related to system backups and monitoring, software development life cycle and cybersecurity;
(x) started to formalize user access and change management reviews as well as SOC report reviews for in-scope third-party systems; and
(xi) summarized our control deficiencies identified to date.

Management continues to implement measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The other remediation actions planned include:

(i) continue to formalize accounting and financial reporting policies and procedures including entity-level controls and segregation of duties review and analysis;
(ii) maintain evidence of the completeness and accuracy of manually generated IPE and system generated IPE;
(iii) enhance documentation and evidence of review of controls; and
(iv) continue to formalize user access and change management reviews as well as SOC report reviews for in-scope third-party systems.

The remediation plan, once fully implemented and determined to be operating effectively, is expected to result in the remediation of the identified material weaknesses in internal controls over financial reporting. We are committed to maintaining a strong internal control environment and believe that these remediation efforts will represent significant improvements in our control environment. Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary.

These material weaknesses did not result in a misstatement of the company's financial statements; however, they could have resulted in misstatements of interim or annual consolidated financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

Attestation Report of Independent Registered Public Accounting Firm

Marcum, LLP, the independent registered public accounting firm that audited our financial statements included in this Form 10-K, has issued an attestation report on our internal control over financial reporting, which is included in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

As discussed above, we are implementing certain measures to remediate the material weaknesses identified in the design and operation of our internal control over financial reporting. Other than those measures, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year ended December 31, 2023 that materially affected our internal control over financial reporting as of that date.

ITEM 9B. OTHER INFORMATION

On March 9, 2024, the Company and its Chief Operating Officer, Brad Roberts, agreed to a mutual separation effective March 8, 2024. Mr. Roberts will continue to serve as an advisor to the Company for a period of 18 months.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information regarding directors standing for election at our 2024 Annual Meeting of Stockholders is incorporated by reference to the information under the caption "Proposal 1: Election of Directors," in the proxy statement to be filed within 120 days of our fiscal year end (the "Proxy Statement").

Information regarding our Audit Committee and Audit Committee financial experts is incorporated by reference to the information under the caption "Corporate Governance – Board Committees" in the Proxy Statement.

Information regarding our executive officers is incorporated by reference to the information under the caption "Corporate Governance – Executive Officers" in the Proxy Statement.

Information regarding our Code of Ethics is incorporated by reference to the information under the caption "Corporate Governance – Code of Ethics" in the Proxy Statement.

Information regarding delinquent Section 16 reports filed in 2023 is incorporated by reference to the information under the caption "Corporate Governance – Delinquent Section 16 Reports" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the information under the captions "Executive Compensation" and "Director Compensation" in the Proxy Statement.

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

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Information regarding our equity compensation plans is incorporated by reference to the information under the caption "Equity Compensation Plan Information" in the Proxy Statement.

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

Information regarding director independence is incorporated by reference to the information under the caption "Corporate Governance – Determination of Director Independence" in the Proxy Statement.

Information regarding related transactions is incorporated by reference to the information under the caption "Certain Relationships and Related Transactions" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to the information under the caption "Audit Related Matters" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are included as part of this Annual Report.

		Incorporated by Reference		
Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date/Period End Date
2.1	Stock Purchase Agreement, dated as of January 11, 2022, by and among Cleared Technologies, PBC, identified stockholders, and LifeMD, Inc.	8-K	2.1	1/12/2022
2.2	Amendment to Stock Purchase Agreement, dated as of February 4, 2023, by and among Cleared Technologies, PBC, identified stockholders, and LifeMD, Inc.	8-K	2.1	2/10/2023
2.3	Asset Purchase Agreement, dated as of January 13, 2022, by and between WorkSimpli Software LLC and East Fusion FZCO	8-K	2.1	2/22/2022
2.4	Promissory Note dated as of October 19, 2021, issued by WorkSimpli Software LLC to LifeMD, Inc.	8-K	2.2	2/22/2022
2.5	First Addendum, dated as of February 14, 2022, to Promissory Note, issued by WorkSimpli Software LLC to LifeMD, Inc.	8-K	2.3	2/22/2022
2.6	Equity Purchase Guarantee Agreement, dated as of February 14, 2022, by and among Fitzpatrick Consulting LLC, Sean Fitzpatrick and LifeMD, Inc.	8-K	2.4	2/22/2022
2.7	Stock Option Pledge Agreement, dated as of February 12, 2022, by and between Fitzpatrick Consulting LLC and LifeMD, Inc.	8-K	2.5	2/22/2022
2.8	Amendment to Stock Purchase Agreement, dated as of February 4, 2023	8-K	2.1	2/10/2023
3.1	Certificate of Incorporation, As Amended	10-K	3.1	3/22/2023
3.2	Bylaws of Immudyne, Inc., effective April 9, 2018	S-1	3.3	10/18/2012
4.1	Form of Convertible Note	8-K	4.1	8/19/2019
4.2	Form of Warrant	8-K	4.2	8/19/2019
4.3	Form of Convertible Redeemable Promissory Note	8-K	4.1	5/27/2020
4.4	Form of PA Warrant	8-K	4.1	11/4/2020
4.5	Form of Non-Qualified Option Agreement (Non-Employee Director Awards)	8-K	4.2	1/14/2021
4.6	Form of Non-Qualified Option Agreement (Employee Awards)	8-K	4.3	1/14/2021
4.7	Form of Restricted Stock Award Agreement	8-K	4.4	1/14/2021
4.8	Description of Securities	10-K	4.9	3/7/2021
4.9	Form of Debenture	8-K	4.1	6/3/2021
4.10	Form of Warrant	8-K	4.2	6/3/2021
4.11	Form of Senior Indenture	S-3	4.5	6/8/2021
4.12	Form of Subordinated Indenture	S-3	4.6	6/8/2021
10.1#	Employment Agreement by and between the Company and Mr. Sean Fitzpatrick, dated July 23, 2018	8-K	10.2	10/29/2018
10.2#	Employment Agreement by and between the Company and Mr. Stefan Galluppi, dated March 18, 2019	10-Q	10.10	8/14/2019
10.3	Form of Securities Purchase Agreement	8-K	10.1	8/19/2019
10.4	Form of Lock-Up Agreement	8-K	10.2	8/19/2019
10.5	Amended and Restated Promissory Note, dated May 8, 2019 by and between LegalSimpli Software, LLC and Conversion Labs PR LLC	8-K	10.1	5/13/2019
10.6	Security Agreement, dated May 8, 2019 and between LegalSimpli Software, LLC and Conversion Labs PR LLC	8-K	10.2	5/13/2019
10.7	Membership Interest Purchase Agreement by and between the Company, Conversion Labs PR LLC, Taggart International Trust and American Nutra Tech LLC, dated April 25, 2019	8-K	10.1	7/31/2019
10.8	Second Amended and Restated Limited Liability Company Operating Agreement of Conversion Labs PR	8-K	10.2	7/31/2019
10.9	Operating Agreement of Conversion Labs RX, LLC	8-K	10.1	6/7/2019
10.10	Strategic Partnership Agreement, dated May 31, 2019, by and between Conversion Labs RX, LLC and Specialty Medical Drugstore (d/b/a GoGo Meds)	8-K	10.4	6/7/2019
10.11	Amendment to Kalkstein Consulting Agreement	8-K	10.1	3/20/2019

10.12	Consulting Agreement, dated May 31, 2019, by and between Conversion Labs, Inc. and Harborside Advisors, LLC	8-K	10.2	6/7/2019
10.13	Consulting Agreement, dated May 31, 2019, by and between Conversion Labs, Inc. and Happy Walters	8-K	10.3	6/7/2019
10.14	Amendment to Kalkstein Consulting Agreement, by and between Conversion Labs, Inc. and Robert Kalkstein	8-K	10.1	3/20/2019
10.15#	Fitzpatrick Amendment by and between the Company and Mr. Sean Fitzpatrick	8-K	10.1	1/24/2020
10.16#	Employment Agreement by and between the Company and Mr. Nicholas Alvarez	8-K	10.2	1/24/2020
10.17	Alpha 2019 Note Repayment and Warrant Amendment	10-Q	10.3	5/19/2020
10.18	Alpha 2018 Warrant Amendment	10-Q	10.4	5/19/2020
10.19	Brio 2019 Note Repayment and Warrant Amendment	10-Q	10.5	5/19/2020
10.20	Brio 2018 Warrant Amendment	10-Q	10.6	5/19/2020
10.21	Form of Purchase Agreement	10-Q	10.7	5/19/2020
10.22	Consulting Agreement by and between the Company and Auxo Technology Labs	10-Q	10.8	5/19/2020
10.23	Secured Convertible Promissory Note, dated July 27, 2020	8-K	10.1	7/28/2020
10.24	Form Securities Purchase Agreement	8-K	10.1	8/31/2020
10.25	Form of Warrant	8-K	10.2	8/31/2020
10.26	Form of Registration Rights Agreement	8-K	10.3	8/31/2020
10.27	Form of Consulting Agreement	8-K	10.4	8/31/2020
10.28	Form of Warrant Purchase Agreement	8-K	10.5	8/31/2020
10.29	Form of Consulting Warrant	8-K	10.6	8/31/2020

10.30	Form of Purchased Warrant	8-K	10.7	8/31/2020
10.31	Letter from Borgers dated September 28, 2020	8-K	16.1	9/29/2020
10.32	Amended Consulting Agreement	8-K	10.1	9/30/2020
10.33	Form of Securities Purchase Agreement	8-K	10.1	11/4/2020
10.34	Form of Registration Rights Agreement	8-K	10.2	11/4/2020
10.35	Form of Lock-Up Agreement	8-K	10.3	11/4/2020
10.36#	Employment Agreement, dated November 20, 2020 by and between Conversion Labs, Inc. and Eric H. Yecies	8-K	10.1	11/25/2020
10.37#	Employment Agreement, dated November 27, 2020, by and between Conversion Labs, Inc. and Brad Roberts	8-K	10.1	12/3/2020
10.38#	Amended and Restated Employment Agreement, dated December 8, 2020, by and between Conversion Labs, Inc. and Nicholas Alvarez	8-K	10.1	12/11/2020
10.39#	Amended and Restated Employment Agreement, dated December 21, 2020, by and between Conversion Labs, Inc. and Brad Roberts	8-K	10.1	12/28/2020
10.40#	Employment Agreement, dated January 5, 2021, by and between the Company and Bryant Hussey	8-K	10.1	1/11/2021
10.41#	Employment Agreement, dated January 11, 2021, by and between the Company and Anthony Puopolo	8-K	10.1	1/14/2021
10.42	Form of CVLB PR Exchange Agreement	8-K	10.1	1/26/2021
10.43	Form of CVLB PR MIPA	8-K	10.2	1/26/2021
10.44	Form of Founding Members MIPA	8-K	10.3	1/26/2021
10.45	Amendment to LSS Operating Agreement	8-K	10.4	1/28/2021
10.46	Fitzpatrick Option Agreement	8-K	10.5	1/28/2021
10.47	Pathak Option Agreement	8-K	10.6	1/28/2021
10.48#	Employment Agreement, dated February 4, 2021, by and between the Company and Marc Benathen	8-K	10.1	2/10/2021
10.49	Form of Securities Purchase Agreement	8-K	10.1	2/12/2021
10.50	Form of Registration Rights Agreement	8-K	10.2	2/12/2021
10.51#	Employment Agreement, dated January 14, 2021, by and between Conversion Labs, Inc. and Corey Deutsch	8-K	10.1	2/4/2021
10.52#	Consulting Service Agreement, dated April 1, 2020, by and between the Company and JLS Ventures, LLC	10-K	10.56	3/30/2021
10.53#	Amended Employment Agreement, dated February 3, 2021, by and between the Company and Corey Deutsch	8-K	10.2	2/3/2021
10.54	Form of Securities Purchase Agreement, dated June 1, 2021, by and between the Company and the Purchasers	8-K	10.1	6/3/2021
10.55	Form of Registration Rights Agreement	8-K	10.2	6/3/2021
10.56	Form of Company Security Agreement	8-K	10.3	6/3/2021
10.57	Form of Guarantor Security Agreement	8-K	10.4	6/3/2021
10.58	Form of Guaranty Agreement	8-K	10.5	6/3/2021

10.59	Form of Intellectual Property Security Agreement	8-K	10.6	6/3/2021
10.60#	Employment Agreement, dated June 10, 2021, by and between the Company and Alex Mironov	10-Q	10.8	8/13/2021
10.61#	First Amendment to Amended and Restated Employment Agreement, dated June 15, 2021, by and between the Company and Brad Roberts	10-Q	10.9	8/13/2021
10.62#	Second Amendment to Amended and Restated Employment Agreement, dated June 29, 2021, by and between the Company and Brad Roberts	10-Q	10.11	8/13/2021
10.63#	First Amendment to the Amended and Restated Employment Agreement between Nicholas Alvarez and LifeMD, Inc., dated July 19, 2021	8-K	10.1	7/22/2021
10.64#	Renewed Director Agreement, dated July 30, 2021, by and between LifeMD, Inc. and Roberto Simon	8-K	10.1	8/4/2021
10.65#	Non-Qualified Stock Option Agreement by and between the Company and Alexander Mironov, dated June 10, 2021	10-Q	10.14	8/13/2021
10.66#	Director Agreement between LifeMD, Inc. and Naveen Bhatia, dated September 8, 2021	8-K	10.1	9/13/2021
10.67#	Consulting Services Agreement between Naveen Bhatia and LifeMD, Inc., dated September 8, 2021	8-K	10.2	9/13/2021
10.68#	Renewed Director Agreement, dated September 7, 2021, by and between LifeMD, Inc. and John Strawn	10-Q	10.3	11/10/2021
10.69#	Renewed Director Agreement, dated September 21, 2021, by and between LifeMD, Inc. and Dr. Joseph V. DiTrolio	10-Q	10.5	11/10/2021
10.70#	First Amendment dated January 27, 2022 to the Employment Agreement between Marc Benathen and LifeMD, Inc.	8-K	10.1	2/2/2022
10.71#	First Amendment dated January 27, 2022 to the Employment Agreement between Eric Yecies and LifeMD, Inc.	8-K	10.2	2/2/2022
10.72#	First Amendment dated February 4, 2022 to the Employment Agreement between Maria Stan and LifeMD, Inc.	8-K	10.1	2/7/2022
10.73#	Employment Agreement dated March 15, 2021 between Maria Stan and LifeMD, Inc.	8-K	10.2	2/7/2022
10.74#	LifeMD, Inc. Amended and Restated 2020 Equity and Incentive Plan	10-K	4.5	3/22/2023
10.75#	Director Agreement, dated September 14, 2022, between LifeMD, Inc. and Robert Jindal	8-K	10.1	9/20/2022
10.76#	Restricted Stock Award Agreement, dated September 14, 2022, between LifeMD, Inc. and Robert Jindal	8-K	10.2	9/20/2022
10.77#	Non-Qualified Stock Option Agreement, dated September 14, 2022, between LifeMD, Inc. and Robert Jindal	8-K	10.3	9/20/2022
10.78#	Director Agreement, dated December 15, 2022, between LifeMD, Inc. and Kate Walsh	8-K	10.1	12/21/2022
10.79#	Restricted Stock Award Agreement, dated December 15, 2022, between LifeMD, Inc. and Kate Walsh	8-K	10.2	12/21/2022

10.80#	Non-Qualified Stock Option Agreement, dated December 15, 2022, between LifeMD, Inc. and Kate Walsh	8-K	10.3	12/21/2022
10.81#	Employment Agreement between Jessica Friedeman and LifeMD, Inc. dated January 3, 2023	10-K	10.82	3/22/2023
10.82#	Restricted Stock Award Agreement between Jessica Friedeman and LifeMD, Inc. dated January 3, 2023	10-K	10.83	3/22/2023
10.83#	Director and Officer Indemnification Agreement between Jessica Friedeman and LifeMD, Inc. dated January 3, 2023	10-K	10.84	3/22/2023
10.84#	Director Agreement, dated February 9, 2023, between LifeMD, Inc. and Joan LaRovere	8-K	10.1	2/10/2023
10.85#	Restricted Stock Award Agreement, dated February 9, 2023, between LifeMD, Inc. and Joan LaRovere	8-K	10.2	2/10/2023
10.86#	Non-Qualified Stock Option Agreement, dated February 9, 2023, between LifeMD, Inc. and Joan LaRovere	8-K	10.3	2/10/2023
10.87	Loan and Security Agreement among LifeMD, Inc., Avenue Venture Opportunities Fund II, L.P. and Avenue Venture Opportunities Fund, L.P., dated March 21, 2023	8-K	10.1	3/23/2023
10.88	Supplement to Loan and Security Agreement among LifeMD, Inc., Avenue Venture Opportunities Fund II, L.P. and Avenue Venture Opportunities Fund, L.P., dated March 21, 2023	8-K	10.2	3/23/2023
10.89	Form of Warrant issued to Avenue Venture Opportunities	8-K	10.3	3/23/2023
10.90	Form of Promissory Note issued to Avenue Venture Opportunities	8-K	10.4	3/23/2023

10.91#	Third Amendment to Amended and Restated Employment Agreement, dated June 13, 2023, by and between the Company and Brad Roberts	10-Q	10.1	8/9/2023
10.92#	Restricted Stock Award Agreement dated June 13, 2023 between Brad Roberts and LifeMD, Inc.	10-Q	10.2	8/9/2023
10.93#	Director and Officer Indemnification Agreement between Brad Roberts and LifeMD, Inc. dated June 13, 2023	10-Q	10.3	8/9/2023
10.94#	Consulting Services Agreement, dated June 14, 2023, by and between the Company and Naveen Bhatia	10-Q	10.4	8/9/2023
10.95#	Consulting Services Agreement, dated June 14, 2023, by and between the Company and Robert Jindal	10-Q	10.5	8/9/2023
10.96#	Second Amendment dated June 15, 2023 to the Employment Agreement between Eric Yecies and LifeMD, Inc.	8-K	10.3	6/20/2023
10.97#	Restricted Stock Award Agreement dated June 15, 2023 between Eric Yecies and LifeMD, Inc	8-K	10.4	6/20/2023
10.98#	Director Agreement, dated June 20, 2023 between LifeMD, Inc. and William J. Febbo	8-K	10.1	6/22/2023
10.99#	Restricted Stock Award Agreement, dated June 20, 2023, between LifeMD, Inc. and William J. Febbo	8-K	10.2	6/22/2023
10.100#	Non-Qualified Stock Option Agreement, dated June 20, 2023, between LifeMD, Inc. and William J. Febbo	8-K	10.3	6/22/2023
10.101#	Consulting Services Agreement, dated May 30, 2023, between LifeMD, Inc. and William J. Febbo	8-K	10.4	6/22/2023
10.102	First Amendment dated September 26, 2023 to the Credit Agreement among Avenue Venture Opportunities Fund II, L.P., Avenue Venture Opportunities Fund, L.P. and LifeMD, Inc.	10-Q	1.1	11/8/2023
10.103#	Second Amendment dated July 11, 2023 to the Employment Agreement between Marc Benathen and LifeMD, Inc.	8-K	10.3	7/14/2023
10.104#	Restricted Stock Award Agreement dated July 11, 2023 between Marc Benathen and LifeMD, Inc	8-K	10.4	7/14/2023
10.105#	Amended and Restated First Amendment dated July 26, 2023 to the Amended and Restated Employment Agreement between Nicholas Alvarez and LifeMD, Inc.	10-Q	10.3	11/8/2023
10.106#	Restricted Stock Award Agreement dated July 26, 2023 between Nicholas Alvarez and LifeMD, Inc	10-Q	10.4	11/8/2023
10.107#	Employment Agreement dated April 1, 2022 between Justin Schreiber and LifeMD, Inc.	8-K	10.1	11/14/2023
10.108#	First Amendment dated November 13, 2023 to the Employment Agreement between Justin Schreiber and LifeMD, Inc.	8-K	10.2	11/14/2023
10.109#	Restricted Stock Award Agreement dated November 13, 2023 between Justin Schreiber and LifeMD, Inc.	8-K	10.3	11/14/2023
10.110*	Separation Agreement dated March 9, 2024 between Brad Roberts and LifeMD, Inc.			
21.1*	List of Subsidiaries			
23.1*	Independent Registered Public Accounting Firm's Consent			
24.1*	Powers of Attorney (included on signature page)			
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.			
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.			
32.1**	Section 1350 Certification of Chief Executive Officer.			
32.2**	Section 1350 Certification of Chief Financial Officer.			
97*	Policy Relating to Recovery of Erroneously Awarded Compensation			
101.INS*	Inline XBRL Instance Document			
101.SCH*	Inline XBRL Taxonomy Extension Schema Document			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.INS)			

 # Indicates management contract or compensatory plan, contract or arrangement.

** Filed herewith.*
***Furnished herewith*

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

LIFEMD, INC.

By: *_/s/ Justin Schreiber_*
Justin Schreiber
Chief Executive Officer and Chairman of the Board of Directors
Date: March 11, 2024

POWERS OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Justin Schreiber, Marc Benathen, Maria Stan, Eric Yecies and each of them severally, his or her true and lawful attorney in fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all said attorneys in fact and agents, each acting alone, and 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 Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: *_/s/ Justin Schreiber_*
Justin Schreiber
Chief Executive Officer and Chairman of the Board of Directors
(principal executive officer)
Date: March 11, 2024

By: *_/s/ Marc Benathen_*
Marc Benathen
Chief Financial Officer
(principal financial officer)
Date: March 11, 2024

By: *_/s/ Maria Stan_*
Maria Stan
Principal Accounting Officer and Controller
(principal accounting officer)
Date: March 11, 2024

By: *_/s/ Naveen Bhatia_*
Naveen Bhatia
Director
Date: March 11, 2024

By: *_/s/ Roberto Simon_*
Roberto Simon
Director
Date: March 11, 2024

By: *_/s/ John Strawn_*
John Strawn
Director
Date: March 11, 2024

By: *_/s/ Joseph DiTrolio_*
Joseph DiTrolio, M.D.
Director
Date: March 11, 2024

By: *_/s/ Robert Jindal_*
Robert Jindal
Director
Date: March 11, 2024

By: *_/s/ Joan LaRovere_*
Joan LaRovere, M.D.
Director
Date: March 11, 2024

By: *_/s/ Will Febbo_*
Will Febbo

Director

Date: March 11, 2024

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LIFEMD, INC.
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
LifeMD, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LifeMD, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2023 and 2022, and 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, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated March 11, 2024, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of material weaknesses.

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 audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits 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 audits 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 audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated 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 consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Capitalized Software Development Costs

Description of the matter

As described in Note 2 to the financial statements, the Company develops software within the scope of both ASC 350-40, *Internal-Use Software ("Topic 350")*. Costs associated with the application development stage are capitalized. Maintenance and enhancement costs, including costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements that result in added functionality, in which case the costs are capitalized. Capitalized amounts are amortized on a straight-line basis over the estimated useful life of the software.

We identified capitalized software development costs as a critical audit matter. Our principal considerations for this determination were the high degree of auditor judgment and subjectivity required in evaluating management's determination of the activities and costs that qualify for capitalization and the relevant software development guidance to be applied under the applicable accounting standards.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical matter included:

- We obtained an understanding of the Company's process for determining the activities and costs that qualify for capitalization and the relevant software development guidance to be applied under the applicable accounting standards
- We tested the mathematical accuracy of the roll forward of capitalized software and related amortization expense.
- For a sample of capitalized costs, we evaluated the relevance of the software development guidance applied by performing the following:
- We inspected underlying documentation and assessed the eligibility of costs for capitalization, to the application of the correct guidance.
- We evaluated the software implementation timelines and related underlying documentation supporting the capitalization periods for implementation and development amounts as well as the date the costs were placed in service.
- We inquired of project managers for significant projects to assess the nature of the costs, the time devoted to capitalizable activities and the underlying documentation.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2020.

Marlton, New Jersey
March 11, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders and Board of Directors of
LifeMD, Inc.

Adverse Opinion on Internal Control over Financial Reporting

We have audited LifeMD Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a control 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. The following material weakness has been identified and included in Management's Annual Report on Internal Control Over Financial Reporting:

- The Company had ineffective design, implementation, and operation of controls over program change management, user access and vendor management controls to ensure:

    1) IT program and data changes affecting the Company's financial IT applications and underlying accounting records, are identified, tested, authorized, and implemented appropriately to validate that data produced by its relevant IT system(s) were complete and accurate. Automated process-level and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency;

    2) appropriate restrictions that would adequately prevent users from gaining inappropriate access to the financially relevant systems; and

    3) key third party service provider SOC reports were obtained and reviewed.

- Business process controls across the entity's financial reporting processes were not effectively designed and implemented to properly address the risk of material misstatement, including:

    3) Controls with insufficient audit evidence to verify the completeness and accuracy of manually generated IPE (Information Produced by the Entity) and system generated IPE; and

    4) Controls with insufficient audit evidence of formal review and approval procedures of key information utilized in the performance of the control.

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the year ended December 31, 2023 consolidated financial statements, and this report does not affect our report dated March 11, 2024 on those consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as December 31, 2023 and 2022 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2023 of the Company and our report dated March 11, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A - Management Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum LLP

We have served as the Company's auditor since 2020.

Marlton, New Jersey
March 11, 2024

LIFEMD, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	$ 33,146,725	$ 3,958,957
Accounts receivable, net	5,277,250	2,834,750
Product deposit	485,850	127,265
Inventory, net	2,759,932	3,703,363
Other current assets	934,510	687,022
Total Current Assets	42,604,267	11,311,357
Non-current Assets		
Equipment, net	476,303	476,441
Right of use asset	594,897	1,206,009
Capitalized software, net	11,795,979	8,840,187
Intangible assets, net	3,009,263	3,831,859
Total Non-current Assets	15,876,442	14,354,496
Total Assets	$ 58,480,709	$ 25,665,853
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	$ 11,084,855	$ 10,106,793
Accrued expenses	13,937,494	12,166,509
Notes payable, net	327,597	2,797,250
Current operating lease liabilities	603,180	756,093
Deferred revenue	8,828,598	5,547,506
Total Current Liabilities	34,781,724	31,374,151
Long-term Liabilities		
Long-term debt, net	17,927,727	-
Noncurrent operating lease liabilities	73,849	574,136
Contingent consideration	131,250	443,750
Purchase price payable	-	579,319
Total Liabilities	52,914,550	32,971,356
Commitments and contingencies (Note 10)		
Mezzanine Equity		
Preferred Stock, $ 0.0001 par value; 5,000,000 shares authorized Series B Convertible Preferred Stock, $ 0.0001 par value; 5,000 shares authorized, zero and 3,500 shares issued and outstanding, liquidation value approximately, $ 0 and $ 1,305 per share as of December 31, 2023 and 2022, respectively	-	4,565,822
Stockholders' Equity (Deficit)		
Series A Preferred Stock, $ 0.0001 par value; 1,610,000 shares authorized, 1,400,000 shares issued and outstanding, liquidation value approximately, $ 29.99 and $ 27.84 per share as of December 31, 2023 and 2022, respectively	140	140
Common Stock, $ 0.01 par value; 100,000,000 shares authorized, 38,358,641 and 31,552,775 shares issued, 38,255,601 and 31,449,735 outstanding as of December 31, 2023 and 2022, respectively	383,586	315,528
Additional paid-in capital	217,550,583	179,015,250
Accumulated deficit	(214,265,236)	(190,562,994)
Treasury stock, 103,040 and 103,040 shares, at cost, as of December 31, 2023 and 2022, respectively	(163,701)	(163,701)
Total LifeMD, Inc. Stockholders' Equity (Deficit)	3,505,372	(11,395,777)
Non-controlling interest	2,060,787	(475,548)
Total Stockholders' Equity (Deficit)	5,566,159	(11,871,325)
Total Liabilities, Mezzanine Equity and Stockholders' Equity (Deficit)	$ 58,480,709	$ 25,665,853

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

LIFEMD, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues		
Telehealth revenue, net	$ 98,152,919	$ 82,649,845
WorkSimpli revenue, net	54,394,087	36,383,675
Total revenues, net	152,547,006	119,033,520
Cost of revenues		
Cost of telehealth revenue	17,480,533	17,843,754
Cost of WorkSimpli revenue	1,419,931	824,274
Total cost of revenues	18,900,464	18,668,028
Gross profit	133,646,542	100,365,492
Expenses		
Selling and marketing expenses	76,451,466	78,369,430
General and administrative expenses	51,694,232	46,960,782
Other operating expenses	6,297,321	6,717,795
Customer service expenses	7,632,283	5,033,468
Development costs	6,060,513	2,970,202
Goodwill and intangible asset impairment charges	-	8,862,596
Change in fair value of contingent consideration	-	(5,101,000)
Total expenses	148,135,815	143,813,273
Operating loss	(14,489,273)	(43,447,781)
Interest expense, net	(2,596,586)	(1,275,946)
(Loss) gain on debt extinguishment	(325,198)	63,400
Loss from operations before income taxes	(17,411,057)	(44,660,327)
Income tax provision	(428,000)	(360,700)
Net loss	(17,839,057)	(45,021,027)
Net income attributable to non-controlling interest	2,756,935	514,632
Net loss attributable to LifeMD, Inc.	(20,595,992)	(45,535,659)
Preferred stock dividends	(3,106,250)	(3,106,250)
Net loss attributable to LifeMD, Inc. common stockholders	$ (23,702,242)	$ (48,641,909)
Basic loss per share attributable to LifeMD, Inc. common stockholders	$ (0.70)	$ (1.57)
Diluted loss per share attributable to LifeMD, Inc. common stockholders	$ (0.70)	$ (1.57)
Weighted average number of common shares outstanding:		
Basic	33,905,155	30,976,455
Diluted	33,905,155	30,976,455

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

LIFEMD, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	LifeMD, Inc.									
	Series A Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Treasury		Non-controlling	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Total	Interest	Total
Balance, December 31, 2021	**1,400,000**	**$ 140**	**30,704,434**	**$307,045**	**$164,517,634**	**$(141,921,085)**	**$(163,701)**	**$22,740,033**	**$(1,031,745)**	**$21,708,288**
Stock compensation expense	-	-	306,250	3,062	13,731,552	-	-	13,734,614	-	13,734,614
Exercise of stock options	-	-	90,400	904	89,496	-	-	90,400	-	90,400
Exercise of warrants	-	-	22,000	220	38,280	-	-	38,500	-	38,500
Cashless exercise of stock options	-	-	29,691	297	(297)	-	-	-	-	-
Stock issued for legal settlement	-	-	400,000	4,000	812,000	-	-	816,000	-	816,000
Series A Preferred Stock dividends	-	-	-	-	-	(3,106,250)	-	(3,106,250)	-	(3,106,250)
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(144,000)	(144,000)
Adjustment of membership interest in WorkSimpli	-	-	-	-	(173,415)	-	-	(173,415)	185,565	12,150
Net (loss) income	-	-	-	-	-	(45,535,659)	-	(45,535,659)	514,632	(45,021,027)
Balance, December 31, 2022	**1,400,000**	**$ 140**	**31,552,775**	**$315,528**	**$179,015,250**	**$(190,562,994)**	**$(163,701)**	**$(11,395,777)**	**$ (475,548)**	**$(11,871,325)**

Stock compensation expense	-	-	978,500	9,785	12,479,558	-	-	12,489,343	-	12,489,343
Cashless exercise of stock options	-	-	74,372	744	(744)	-	-	-	-	-
Cashless exercise of warrants	-	-	79,330	793	(793)	-	-	-	-	-
Exercise of stock options	-	-	37,500	375	94,125	-	-	94,500	-	94,500
Stock issued for noncontingent consideration payments	-	-	1,068,926	10,689	2,557,311	-	-	2,568,000	-	2,568,000
Stock issued for legal settlement	-	-	100,000	1,000	531,000	-	-	532,000	-	532,000
Warrants issued with debt instrument	-	-	-	-	873,100	-	-	873,100	-	873,100
Sale of common stock under ATM, net	-	-	1,009,907	10,099	6,192,560	-	-	6,202,659	-	6,202,659
Stock issued for debt conversion	-	-	672,042	6,720	993,280	-	-	1,000,000	-	1,000,000
Common stock issued to Medifast	-	-	1,224,425	12,244	9,987,756	-	-	10,000,000	-	10,000,000
Series B Preferred Stock conversion	-	-	1,560,864	15,609	5,057,205	-	-	5,072,814	-	5,072,814
Series A Preferred Stock dividends	-	-	-	-	-	(3,106,250)	-	(3,106,250)	-	(3,106,250)
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(144,000)	(144,000)
Adjustment of membership interest in WorkSimpli	-	-	-	-	(229,025)	-	-	(229,025)	(76,600)	(305,625)
Net (loss) income	-	-	-	-	-	(20,595,992)	-	(20,595,992)	2,756,935	(17,839,057)
Balance, December 31, 2023	**1,400,000**	**$ 140**	**38,358,641**	**$383,586**	**$217,550,583**	**$(214,265,236)**	**$(163,701)**	**$ 3,505,372**	**$2,060,787**	**$ 5,566,159**

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

LIFEMD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (17,839,057)	$ (45,021,027)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of debt discount	333,939	-
Amortization of capitalized software	5,424,810	2,681,807
Amortization of intangibles	971,464	926,542
Accretion of consideration payable	167,221	273,822
Depreciation of fixed assets	203,952	161,885
Write-down of inventory	537,685	103,417
Sales return reserve	-	338,193
Loss (gain) on debt extinguishment	325,198	(63,400)
Change in fair value of contingent consideration	-	(5,101,000)
Goodwill and intangible asset impairment charges	-	8,862,596
Deferred income tax provision	-	354,000
Operating lease payments	766,280	546,439
Stock issued for legal settlement	532,000	816,000
Stock compensation expense	12,489,343	13,734,614
Changes in Assets and Liabilities		
Accounts receivable	(2,442,500)	(2,192,888)
Product deposit	(358,585)	76,291
Inventory	405,746	(2,183,012)
Other current assets	(247,488)	106,168
Change in operating lease liability	(808,368)	(455,805)
Deferred revenue	3,281,092	4,047,626
Accounts payable	978,062	1,251,037
Accrued expenses	4,678,757	(1,309,968)
Other operating activity	(579,319)	(888,486)
Net cash provided by (used in) operating activities	8,820,232	(22,935,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for capitalized software costs	(8,380,602)	(8,526,205)
Purchase of equipment	(203,814)	(366,633)
Purchase of intangible assets	(148,868)	(4,000,500)
Acquisition of business, net of cash acquired	-	(1,012,395)
Net cash used in investing activities	(8,733,284)	(13,905,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net	19,466,887	-
Cash proceeds from common stock issued to Medifast	10,000,000	-
Proceeds from notes payable	2,347,691	2,906,000

Sale of common stock under ATM, net	6,202,659	-
Cash proceeds from exercise of warrants	-	38,500
Cash proceeds from exercise of options	94,500	90,400
Preferred stock dividends	(3,106,250)	(3,106,250)
Net payments for membership interest in WorkSimpli	(305,625)	12,150
Contingent consideration payments for ResumeBuild acquisition	(312,500)	(156,250)
Distributions to non-controlling interest	(144,000)	(144,000)
Repayment of notes payable, net of prepayment penalty	(5,142,542)	(168,750)
Net cash provided by (used in) financing activities	29,100,820	(528,200)
Net increase (decrease) in cash	29,187,768	(37,369,082)
Cash at beginning of year	3,958,957	41,328,039
Cash at end of year	$ 33,146,725	$ 3,958,957
Cash paid for interest		
Cash paid during the period for interest	$ 2,148,454	$ 189,000
Non-cash investing and financing activities		
Cashless exercise of options	$ 744	$ 297
Cashless exercise of warrants	$ 793	$ -
Consideration payable for Cleared acquisition	$ -	$ 8,079,367
Consideration payable for ResumeBuild acquisition	$ -	$ 500,000
Stock issued for noncontingent consideration payments	$ 2,568,000	$ -
Stock issued for debt conversion	$ 1,000,000	$ -
Series B Preferred Stock conversion	$ 5,072,814	$ -
Principal of Paycheck Protection Program loans forgiven	$ -	$ 63,400
Warrants issued for debt instruments	$ 873,100	$ -
Right of use asset	$ 155,168	$ 89,595
Right of use lease liability	$ 155,168	$ 94,168

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

LIFEMD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF THE ORGANIZATION AND BUSINESS

Corporate History

LifeMD, Inc. was formed in the State of Delaware on May 24, 1994, under its prior name, Immudyne, Inc. The Company changed its name to Conversion Labs, Inc. on June 22, 2018 and then subsequently, on February 22, 2021, it changed its name to LifeMD, Inc. Effective February 22, 2021, the trading symbol for the Company’s common stock, par value $ 0.01 per share on The Nasdaq Stock Market LLC changed from “CVLB” to “LFMD”.

On April 1, 2016, the original operating agreement of Immudyne PR LLC (“Immudyne PR”), a joint venture to market the Company’s skincare products, was amended and restated and the Company increased its ownership and voting interest in Immudyne PR to 78.2 %. Concurrent with the name change of the parent company to Conversion Labs, Inc., Immudyne PR was renamed to Conversion Labs PR LLC (“Conversion Labs PR”). On April 25, 2019, the operating agreement of Conversion Labs PR was amended and restated in its entirety to increase the Company’s ownership and voting interest in Conversion Labs PR to 100 %. On February 22, 2021, concurrent with the name of the parent company to LifeMD, Inc., Conversion Labs PR was renamed to LifeMD PR, LLC.

In June 2018, the Company closed the strategic acquisition of 51 % of LegalSimpli Software, LLC, which operates a software as a service application for converting, editing, signing, and sharing PDF documents called PDFSimpli. In addition to LegalSimpli Software, LLC’s growth business model, this acquisition added deep search engine optimization and search engine marketing expertise to the Company. On July 15, 2021, LegalSimpli Software, LLC, changed its name to WorkSimpli Software LLC, (“WorkSimpli”). Effective January 22, 2021, the Company consummated a transaction to restructure the ownership of WorkSimpli (the “WSS Restructuring”) concurrently increased its ownership interest in WorkSimpli to 85.58 %. Effective September 30, 2022, two option agreements were exercised which further restructured the ownership of WorkSimpli. As a result, the Company’s ownership interest in WorkSimpli decreased to 73.64 %. Effective December 15, 2022, LifeMD PR, LLC merged into WorkSimpli, with WorkSimpli being the surviving entity.

Effective March 31, 2023, the Company redeemed 500 membership interest units in WorkSimpli and, as a result, the Company’s ownership interest in WorkSimpli increased to 74.06 %. Effective June 30, 2023, an option agreement was exercised which further restructured the ownership of WorkSimpli. As a result, the Company’s ownership interest in WorkSimpli decreased to 73.32 %. See Note 8 for additional information.

On January 18, 2022, the Company acquired Cleared Technologies, PBC, a Delaware public benefit corporation (“Cleared”), a nationwide allergy telehealth platform that provides personalized treatments for allergy, asthma, and immunology (See Note 3).

Nature of Business

The Company is a direct-to-patient telehealth company providing a high-quality, cost-effective, and convenient way to access comprehensive, virtual and in-home healthcare. The Company believes the traditional model of visiting a doctor’s office, traveling to a retail pharmacy, and returning for follow up care or prescription refills is complex, inefficient, and costly, and discourages many individuals from seeking medical care. The Company is improving the delivery of healthcare through telehealth with our proprietary technology platform, affiliated-and-dedicated provider network, broad and expanding treatment capabilities, and unique ability to nurture patient relationships. Direct-to-patient telehealth technology companies, like the Company, connect consumers to affiliated, licensed, healthcare professionals for care across numerous indications, including urgent and primary care, weight management, sleep, hair loss, men’s and women’s health, hormonal therapy and dermatology, chronic care management and more.

The Company’s telehealth platform helps patients access their licensed providers for diagnoses, virtual care, and prescription medications, often delivered on a recurring basis. In addition to its telehealth prescription offerings, the Company sells over-the-counter (“OTC”) products. All products are available on a subscription or membership basis, where a patient can subscribe to receive regular shipments of prescribed medications or products. This creates convenience and often discounted pricing opportunities for patients and recurring revenue streams for the Company.

With its first brand, ShapiroMD, the Company has built a full line of proprietary OTC products for male and female hair loss—including Food and

Drug Administration (“FDA”) approved OTC minoxidil and an FDA-cleared medical device—and now a personalized telehealth platform offering that gives consumers access to virtual medical treatment from their providers and, when appropriate, a full line of oral and topical prescription medications for hair loss. The Company’s men’s brand, RexMD, currently offers access to provider-based treatment for erectile dysfunction, as well as treatment for other common men’s health issues, including premature ejaculation and hair loss. In the first quarter of 2021, the Company launched NavaMD, a tele-dermatology and skincare brand for women. The Company has built a platform that allows it to efficiently launch telehealth and wellness product lines wherever it determines there is a market need.

In the first quarter of 2022, we launched our virtual primary care offering under the LifeMD brand, LifeMD Primary Care. This offering provides patients with 24/7 access to an affiliated high-quality provider for their primary care, urgent care, and chronic care needs.

In April 2023, we launched our GLP-1 Weight Management program providing primary care, weight loss, holistic healthcare, lab work and prescription services, as appropriate, to patients seeking to access a medically supported weight loss solution.

Business and Subsidiary History

In June 2018, the Company closed the strategic acquisition of 51 % of WorkSimpli. As a result of various ownership restructurings, the Company’s ownership interest in WorkSimpli is 73.32 % as of December 31, 2023. See Note 8 for additional information.

On January 18, 2022, the Company acquired Cleared, a nationwide allergy telehealth platform that provides personalized treatments for allergy, asthma, and immunology. Under the terms of the agreement, the Company acquired all outstanding shares of Cleared at closing in exchange for a $ 460 thousand upfront cash payment, and two non-contingent milestone payments for a total of $ 3.46 million ($ 1.73 million each on or before the first and second anniversaries of the closing date). The Company purchased a convertible note from a strategic pharmaceutical investor for $ 507 thousand which was converted upon closing of the Cleared acquisition. The Company also agreed to a performance-based earnout based on Cleared’s future net sales, payable in cash or shares at the Company’s discretion. On February 4, 2023, the Company entered into the First Amendment (the “Cleared First Amendment”) to the Stock Purchase Agreement, dated January 11, 2022, between the Company and the sellers of Cleared (the “Cleared Stock Purchase Agreement”). The Cleared Stock Purchase Agreement was amended to, among other things: (i) reduce the total purchase price by $ 250 thousand to a total of $ 3.67 million; (ii) change the timing of the payment of the purchase price to $ 460 thousand paid at closing (which has already been paid by the Company), with the remaining amount to be paid in five quarterly installments beginning on or before February 6, 2023 and ending January 15, 2024; (iii) removing all “earn-out” payments payable by the Company to the sellers; and (iv) remove certain representations and warranties of the Company and sellers in connection with the transaction (See Note 3). The Company issued the following shares of common stock to the sellers of Cleared under the Cleared First Amendment: (1) 337,895 shares on February 6, 2023, (2) 455,319 shares on April 17, 2023, (3) 158,129 shares on July 17, 2023, (4) 117,583 shares on October 17, 2023 and (5) 95,821 shares on January 16, 2024.

In February 2022, WorkSimpli closed on an Asset Purchase Agreement (the “ResumeBuild APA”) with East Fusion FZCO, a Dubai, UAE corporation (the “Seller”), whereby WorkSimpli acquired substantially all of the assets associated with the Seller’s business, offering subscription-based resume building software through software as a service online platforms (the “Acquisition”). WorkSimpli paid $ 4.0 million to the Seller upon closing. The Seller is also entitled to a minimum of $ 500 thousand to be paid out in quarterly payments equal to the greater of 15 % of net profits (as defined in the ResumeBuild APA) or $ 62,500 , for a two-year period ending on the two-year anniversary of the closing of the Acquisition. As of December 31, 2023, WorkSimpli has paid the Seller approximately $ 469 thousand in accordance with the ResumeBuild APA. WorkSimpli borrowed the purchase price from the Company pursuant to a promissory note with the obligation secured by an equity purchase guarantee agreement and a stock option pledge agreement from Fitzpatrick Consulting, LLC and its sole member Sean Fitzpatrick, who is Co-Founder and President of WorkSimpli (See Note 3).

Unless otherwise indicated, the terms “LifeMD,” “Company,” “we,” “us,” and “our” refer to LifeMD, Inc. (formerly known as Conversion Labs, Inc.), Cleared, a Delaware public benefit corporation and our majority-owned subsidiary, WorkSimpli. The affiliated network of medical Professional Corporations and medical Professional Associations administratively led by LifeMD Southern Patient Medical Care, P.C., (“LifeMD PC”) is the Company’s affiliated, variable interest entity in which we hold a controlling financial interest. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Liquidity Evaluation

As of December 31, 2023, the Company has an accumulated deficit approximating $ 214.3 million and has experienced significant losses from its operations. Although the Company is showing significant positive revenue trends, the Company expects to incur further losses through 2024. However, losses have improved significantly, and the Company expects these losses to continue to improve. Additionally, the Company expects its burn rate of cash to continue to improve and to maintain positive operating cash flows for the next 12 months following the date of this report. To date, the Company has been funding operations primarily through the sales of its products, issuance of common and preferred stock, and through loans and advances. The Company’s continued operations are dependent upon obtaining an increase in its sale volumes and obtaining funding from third-party sources or the issuance of additional shares of common stock. There can be no assurances that we will be successful in increasing revenues, improving operational efficiencies, or that financing will be available or, if available, that such financing will be available under favorable terms.

On March 21, 2023, the Company entered into and closed on a loan and security agreement (the “Avenue Credit Agreement”), and a supplement to the Credit Agreement (the “Avenue Supplement”), with Avenue Venture Opportunities Fund II, L.P. and Avenue Venture Opportunities Fund, L.P. (collectively, “Avenue”). The Avenue Credit Agreement provides for a convertible senior secured credit facility of up to an aggregate amount of $ 40 million, comprised of the following: (1) $ 15 million in term loans funded at closing, (2) $ 5 million of additional committed term loans which the Company received on September 26, 2023 under the First Amendment to the Avenue Credit Agreement (the “Avenue First Amendment”) and (3) $ 20 million of additional uncommitted term loans, collectively referred to as the “Avenue Facility”. The Avenue Facility matures on October 1, 2026 . The Company issued Avenue warrants to purchase $ 1.2 million of the Company’s common stock at an exercise price of $ 1.24 , subject to adjustments (the “Avenue Warrants”). In addition, Avenue may convert up to $ 2 million of the $ 15 million in term loans funded at closing into shares of the Company’s common stock at any time while the loans are outstanding, at a price per share equal to $ 1.49 . Proceeds from the Avenue Facility were used to repay the Company’s outstanding notes payable balances with CRG Financial and are expected to be used for general corporate purposes. The Company is subject to certain affirmative and negative covenants under the Avenue Facility, including the requirement, beginning on the closing date, to maintain at least $5 million of unrestricted cash to be tested at the end of each month, and beginning on the period ended September 30, 2023, and at the end of each quarter thereafter, a trailing six-month cash flow, subject to certain adjustments as provided by the Avenue Credit Agreement, of at least $2 million. As of December 31, 2023, there was $ 19 million outstanding under the Avenue Facility, and the Company was in compliance with the Avenue Facility covenants. Loans under the Avenue Facility accrue interest at a variable rate per annum equal to the greater of (i) the sum of 4.75% plus the Prime Rate (as defined in the Avenue Supplement) and (ii) 12.50%. Payments are interest only for up to 24 months and then fully amortized thereafter. The Avenue Facility matures on October 1, 2026 . The Company may prepay the loans, subject to a prepayment penalty of 1.00 % to 3.00 % of the principal amount prepaid, depending on the timing of the prepayment.

On December 11, 2023, the Company entered into a collaboration with Medifast, Inc. through and with certain of its wholly-owned subsidiaries (“Medifast”). Pursuant to certain agreements between the parties, Medifast has agreed to pay to the Company the amount of $ 10 million to support the collaboration, funding enhancements to the Company platform, operations and supporting infrastructure, of which $ 5 million was paid at the closing on December 12, 2023, and the remainder is to be paid in two $ 2.5 million installments on March 31, 2024 and June 30, 2024 (or earlier upon the Company's achievement of certain program milestones) (the "Medifast Collaboration").

In addition, in connection with the Medifast Collaboration, the Company entered into a stock purchase agreement and registration rights agreement with Medifast's wholly-owned subsidiary, Jason Pharmaceuticals, Inc., whereby the Company issued 1,224,425 shares of its common stock in a private placement (the "Medifast Private Placement") at a purchase price of $ 8.1671 per share, for aggregate proceeds of approximately $ 10 million.

Additionally, on June 8, 2021, the Company filed a shelf registration statement on Form S-3 under the Securities Act, which was declared effective on June 22, 2021 (the "2021 Shelf"). Under the 2021 Shelf at the time of effectiveness, the Company originally had the ability to raise up to $ 150 million by selling common stock, preferred stock, debt securities, warrants, and units. In conjunction with the 2021 Shelf, the Company also entered into an At Market Issuance Sales Agreement (the "ATM Sales Agreement") with B. Riley Securities, Inc. and Cantor Fitzgerald & Co. relating to the sale of its common stock. In accordance with the terms of the ATM Sales Agreement, the Company may, but is not obligated to, offer and sell, from time to time, shares of common stock, through or to the Agents, acting as agent or principal. Sales of common stock, if any, will be made by any method permitted that is deemed an "at the market offering" as defined in Rule 415 under the Securities Act. As of December 31, 2023, the Company had $ 53.3 million available under the ATM Sales Agreement and $ 32.0 million available under the 2021 Shelf.

The Company has a current cash balance of approximately $ 26.4 million as of the filing date.The Company reviewed its forecasted operating results and sources and uses of cash used in management's assessment, which included the available financing and consideration of positive and negative evidence impacting management's forecasts, market, and industry factors. Positive indicators that lead to its conclusion that the Company will have sufficient cash over the next 12 months following the date of this report include: (1) its continued strengthening of the Company's revenues and improvement of operational efficiencies across the business, (2) the expected improvement in its cash burn rate over the next 12 months and positive operating cash flows during the year ended December 31, 2023, (3) positive working capital of $ 7.8 million as of December 31, 2023, (4) cash on hand of $ 33.1 million as of December 31, 2023, (5) $ 53.3 million available under the ATM Sales Agreement and $ 32.0 million available under the 2021 Shelf, (6) management's ability to curtail expenses, if necessary, and (7) the overall market value of the telehealth industry and how it believes that will continue to drive interest in the Company already evidenced by the Medifast Collaboration and Private Placement noted above.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in Accounting Standards Codification ("ASC") 810, *Consolidation*.

The consolidated financial statements include the accounts of the Company, Cleared, its majority owned subsidiary, WorkSimpli, and LifeMD PC, the Company's affiliated, variable interest entity in which we hold a controlling financial interest. During the year ended December 31, 2021, the Company purchased an additional 34.6 % of WorkSimpli for a total equity interest of approximately 85.6 % as of December 31 2021. Effective September 30, 2022, two option agreements were exercised which further restructured the ownership of WorkSimpli. As a result, the Company's ownership interest in WorkSimpli decreased to 73.64 %. Effective March 31, 2023, the Company redeemed 500 membership interest units in WorkSimpli and, as a result, the Company's ownership interest in WorkSimpli increased to 74.06 %. Effective June 30, 2023, an option agreement was exercised which further restructured the ownership of WorkSimpli. As a result, the Company's ownership interest in WorkSimpli decreased to 73.32 %. See Note 8 for additional information.

All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of December 31, 2023 and 2022, there were no cash equivalents. The Company maintains deposits in financial institutions in excess of amounts guaranteed by the Federal Deposit Insurance Corporation. Cash and cash equivalents are maintained at financial institutions, and at times, balances may exceed federally insured limits. These balances could be impacted if one or more of the financial institutions in which we deposit monies fails or is subject to other adverse conditions in the financial or credit markets. We have never experienced any losses related to these balances.

Variable Interest Entities

In accordance with ASC 810, *Consolidation*, the Company determines whether any legal entity in which the Company becomes involved is a variable interest entity (a "VIE") and subject to consolidation. This determination is based on whether an entity has sufficient equity at risk to finance their activities without additional subordinated financial support from other parties or whose equity investors lack any of the characteristics of a controlling financial interest and whether the interest will absorb portions of a VIE's expected losses or receive portions of its expected residual returns and are contractual, ownership, or pecuniary in nature and that change with changes in the fair value of the entity's net assets. A reporting entity is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides it with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE.

The Company determined that the LifeMD PC entity, the Company's affiliated network of medical Professional Corporations and medical Professional Associations administratively led by LifeMD Southern Patient Medical Care, P.C., is a VIE and subject to consolidation. LifeMD PC and the Company do not have any stockholders in common. LifeMD PC is owned by licensed physicians, and the Company maintains a managed service agreement with LifeMD PC whereby we provide all non-clinical services to LifeMD PC. The Company determined that it is the primary beneficiary of LifeMD PC and must consolidate, as we have both the power to direct the activities of LifeMD PC that most significantly impact the economic performance of the entity and we have the obligation to absorb the losses. As a result, the Company presents the financial position, results of operations, and cash flows of LifeMD PC as part of the consolidated financial statements of the Company. There is no non-controlling interest upon consolidation of LifeMD PC.

Total revenue for LifeMD PC was approximately $ 4.3 million and $ 499 thousand for the year ended December 31, 2023 and 2022, respectively. Total net loss for LifeMD PC was approximately $ 1.2 million and $ 5.8 million for the year ended December 31, 2023 and 2022, respectively.

Use of Estimates

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates required to be made by management include returns and allowances, stockholders' equity-based transactions, the capitalization and impairment of capitalized software and impairment of other long-lived assets, estimates to cash flow projections, and liquidity assessment. Actual results could differ from those estimates.

Revenue Recognition

The Company records revenue under the adoption of ASC 606, *Revenue from Contracts with Customers*, by analyzing exchanges with its customers using a five-step analysis:

1. Identify the contract
2. Identify performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

For the Company's product-based contracts with customers, the Company has determined that there is one performance obligation, which is the delivery of the product; this performance obligation is transferred at a discrete point in time. The Company generally records sales of finished products once the customer places and pays for the order, with the product being simultaneously shipped by a third-party fulfillment service provider. In all cases, delivery is considered to have occurred when the customer obtains control, which is usually commensurate upon shipment of the product. In the case where delivery is not commensurate upon shipment of the product, recognition of revenue is deferred until that time. In the case of its product-based contracts, the Company provides a subscription sensitive service based on the recurring shipment of products. The Company records the related revenue under the subscription agreements subsequent to receiving the monthly product order, recording the revenue at the time it fulfills the shipment obligation to the customer.

For its product-based contracts with customers, the Company records an estimate for provisions of discounts, returns, allowances, customer rebates, and other adjustments for its product shipments and are reflected as contra revenues in arriving at reported net revenues. The Company's discounts and customer rebates are known at the time of sale; correspondingly, the Company reduces gross product sales for such discounts and customer rebates. The Company estimates customer returns and allowances based on information derived from historical transaction detail and accounts for such provisions, as contra revenue, during the same period in which the related revenues are earned. The Company has determined that the population of its product-based contracts with customers are homogenous, supporting the ability to record estimates for returns and allowances to be applied to the entire product-based portfolio population. Customer discounts, returns and rebates on telehealth product revenues approximated $ 2.1 million and $ 5.2 million, respectively, during the years ended December 31, 2023 and 2022.

For its LifeMD PC contracts with customers, the Company offers one-time and subscription-based access to the Company's telehealth platform. The Company offers monthly and yearly subscriptions dependent upon the subscriber's enrollment selection. The Company has estimated that there is one product and one performance obligation that is delivered over time, as the Company allows the subscriber to access the telehealth platform for the time period of the subscription purchased. The Company records the revenue over the customer's subscription period for monthly and yearly subscribers.

The Company, through its majority-owned subsidiary WorkSimpli, offers a subscription-based service providing a suite of software applications to its subscribers, principally on a monthly subscription basis. The software suite allows the subscriber/user to convert almost any type of document to another electronic form of editable document, providing ease of editing. For these subscription-based contracts with customers, the Company offers an initial 14-day trial period which is billed at $ 1.95 , followed by a monthly subscription, or a yearly subscription to the Company's software suite dependent on the subscriber's enrollment selection. The Company has estimated that there is one product and one performance obligation that is delivered over time, as the Company allows the subscriber to access the suite of services for the time period of the subscription purchased. The Company allows the customer to cancel at any point during the billing cycle, in which case the customer's subscription will not be renewed for the following month or year depending on the original subscription. The Company records the revenue over the customer's subscription period for monthly and yearly subscribers or at the end of the initial 14-day service period for customers who purchased the initial subscription. The Company offers a discount for the monthly or yearly subscriptions being purchased, which is deducted at the time of payment at the initiation of the contract term; therefore the Contract price is fixed and determinable at the contract initiation. Monthly and annual subscriptions for the service are recorded net of the Company's known discount rates. Customer discounts and allowances on WorkSimpli revenues approximated $ 3.3 million and $ 2.5 million, respectively, during the years ended December 31, 2023 and 2022.

As noted above, on December 11, 2023, the Company entered into the Medifast Collaboration. Pursuant to certain agreements between the parties, Medifast agreed to pay to the Company the amount of $ 10 million to support the collaboration, funding enhancements to the Company platform, operations and supporting infrastructure, of which $ 5 million was paid at the closing on December 12, 2023, and the remainder is to be paid in two $ 2.5 million installments on March 31, 2024 and June 30, 2024.

The Company determined the transaction price totaled $ 10 million, of which $ 5 million was collected in December 2023. The Company has allocated the total $ 10 million initial transaction price to three distinct performance obligations. As the Company has completed its first performance obligation related to this agreement, the $ 5 million payment was fully recognized in the year ended December 31, 2023.

For the years ended December 31, 2023 and 2022, the Company had the following disaggregated revenue:

	Year Ended December 31,			
	2023	%	2022	%
Telehealth revenue (excluding collaboration revenue)	$ 93,152,919	61%	$ 82,649,845	69%
WorkSimpli revenue	54,394,087	36%	36,383,675	31%
Medifast collaboration revenue	5,000,000	3%	-	-%
Total net revenue	$ 152,547,006	100%	$ 119,033,520	100%

Deferred Revenues

The Company records deferred revenues when cash payments are received or due in advance of its performance. As of December 31, 2023 and 2022, the Company has accrued contract liabilities, as deferred revenue, of approximately $ 8.8 million and $ 5.5 million, which represent the following: (1) $ 4.2 million and $ 0 as of December 31, 2023 and 2022, respectively, related to obligations on telehealth in-process monthly or yearly contracts with customers, (2) $ 2.1 million and $ 3.0 million as of December 31, 2023 and 2022, respectively, related to obligations for telehealth products which the customer has not yet obtained control due to delivery not commensurate upon shipment of the product and (3) $ 2.5 million and $ 2.5 million as of December 31, 2023 and 2022, respectively, related to obligations on WorkSimpli in-process monthly or yearly contracts with customers.

Deferred revenue increased by $ 3.3 million to $ 8.8 million as of December 31, 2023 compared to $ 5.5 million as of December 31, 2022. The increase is primarily due to increased cash payments received in advance of satisfying performance obligations, offset by revenue recognized that had been included in the deferred revenue balance at the beginning of the period. The amount of revenue recognized during the year ended December 31, 2023, that was included in the deferred revenue balance as of December 31, 2022, was $ 4.8 million.

The Company expects to recognize $ 8.8 million of revenue during the year ended December 31, 2024 related to future performance obligations that are unsatisfied or partially unsatisfied as of December 31, 2023.

	Year Ended December 31,	
	2023	2022
Beginning of period	$ 5,547,506	$ 1,499,880
Additions	58,319,435	37,410,617
Revenue recognized	(55,038,343)	(33,362,991)
End of period	$ 8,828,598	$ 5,547,506

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets are included in right-of-use assets, net on the consolidated balance sheets. The current and long-term components of operating lease liabilities are included in the current operating lease liabilities and noncurrent operating lease liabilities, respectively, on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Certain leases may include options to extend or terminate the lease. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded in the balance sheet.

Accounts Receivable, net

Accounts receivable principally consist of amounts due from third-party merchant processors, who process our subscription revenues; the merchant accounts balance receivable represents the charges processed by the merchants that have not yet been deposited with the Company. The unsettled merchant receivable amount normally represents processed sale transactions from the final one to three days of the month, with collections being made by the Company within the first week of the following month. Management determines the need, if any, for an allowance for future credits to be granted to customers, by regularly evaluating aggregate customer refund activity, coupled with the consideration and current economic conditions in its evaluation of an allowance for future refunds and chargebacks. As of December 31, 2023 and 2022, the reserve for sales returns and allowances was approximately $ 528 thousand and $ 815 thousand, respectively. For all periods presented, the sales returns and allowances were recorded in accrued expenses on the consolidated balance sheets.

Inventory

As of December 31, 2023 and 2022, inventory primarily consisted of finished goods, raw materials and packaging related to the Company's OTC products included in the telehealth revenue section of the table above. Inventory is maintained at the Company's third-party warehouse location in Wyoming and at various Amazon fulfillment centers. The Company also maintains inventory at a company owned warehouse in Pennsylvania.

Inventory is valued at the lower of cost or net realizable value with cost determined on an average cost basis. Management compares the cost of inventory with the net realizable value and an allowance is made for writing down inventory to net realizable, if lower. As of December 31, 2023 and 2022, the Company recorded an inventory reserve in the amount of $ 356 thousand and $ 161 thousand, respectively.

As of December 31, 2023 and 2022, the Company's inventory consisted of the following:

	December 31,	
	2023	2022
Finished Goods - Products	$ 1,898,784	$ 2,587,370
Raw materials and packaging components	1,216,833	1,276,891
Inventory reserve	(355,685)	(160,898)
Total Inventory - net	$ 2,759,932	$ 3,703,363

Product Deposit

Many of our vendors require deposits when a purchase order is placed for goods or fulfillment services. These deposits typically range from 10 % to 33 % of the total purchased amount. Our vendors include a credit memo within their final invoice, recognizing the deposit amount previously paid. As of December 31, 2023 and 2022, the Company has approximately $ 486 thousand and $ 127 thousand, respectively, of product deposits with multiple vendors for the purchase of raw materials or finished goods. The Company's history of product deposits with its inventory vendors, creates an implicit purchase commitment equaling the total expected product acceptance cost in excess of the product deposit. As of December 31, 2023, the Company approximates its implicit purchase commitments to be approximately $ 63 thousand, of which the vast majority are with two vendors that manufacturer the Company's finished goods inventory for its RexMD product line.

Capitalized Software Costs

The Company capitalizes certain internal payroll costs and third-party costs related to internally developed software and amortizes these costs using the straight-line method over the estimated useful life of the software, generally three years. The Company does not sell internally developed software other than through the use of subscription service. Certain development costs not meeting the criteria for capitalization, in accordance with ASC 350-40*, Internal-Use Software*, are expensed as incurred. As of December 31, 2023 and 2022, the Company capitalized a net amount of $ 11.8 million and $ 8.8 million, respectively, related to internally developed software costs which are amortized over the useful life and included in development costs on our consolidated statement of operations.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset may be impaired. Goodwill in the amount of $ 8.0 million was recognized in conjunction with the Cleared acquisition during the year ended December 31, 2022. The Company recorded an $ 8.0 million goodwill impairment charge during the year ended December 31, 2022 related to a decline in the estimated fair value of Cleared as a result of a decline in the Cleared financial projections (see Note 3).

Other intangible assets are comprised of: (1) the ResumeBuild brand, (2) a customer relationship asset, (3) the Cleared trade name, (4) Cleared developed technology, (5) a purchased license and (6) two purchased domain names. During the year ended December 31, 2022, the Company recorded an $ 827 thousand impairment loss related to a decline in the estimated fair value of the Cleared customer relationship intangible asset with an original cost of $ 919 thousand and accumulated amortization of $ 92 thousand. Other intangible assets are amortized over their estimated lives using the straight-line method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

Impairment of Long-Lived Assets

Long-lived assets include equipment and capitalized software. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, an impairment is recognized as the amount by which the carrying amount of the assets exceeds the estimated fair values of the assets. As of December 31, 2023 and 2022, the Company determined that no events or changes in circumstances existed that would indicate any impairment of its long-lived assets.

Paycheck Protection Program

During the year ended December 31, 2020, the Company received aggregate loan proceeds in the amount of approximately $ 249 thousand under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 %, with a deferral of payments for the first six months. The Company used the proceeds for purposes consistent with the PPP.

During the year ended December 31, 2022, the Company had a total of $ 63 thousand, respectively, of its PPP loans forgiven by the Small Business Administration (“SBA”) (see Note 6). As of December 31, 2023 and 2022, the Company had no remaining PPP loan balance.

Income Taxes

The Company files corporate federal, state, and local tax returns. WorkSimpli files a tax return in Puerto Rico; WorkSimpli is a limited liability company and files tax returns with any tax liabilities or benefits passing through to its members.

The Company records current and deferred taxes in accordance with ASC 740 *, Accounting for Income Taxes* . This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by a history of net operating losses and management determines the necessity for a valuation allowance. ASC 740 also provides a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. Using this guidance, a company may recognize the tax benefit from an uncertain tax position in its financial statements only if it is more likely-than-not (*i.e.*, a likelihood of more than 50%) that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company’s tax returns for all years since December 31, 2020, remain open to audit by all related taxing authorities.

Stock-Based Compensation

The Company follows the provisions of ASC 718, *Share-Based Payment*. Under this guidance compensation cost generally is recognized at fair value on the date of the grant and amortized over the respective vesting or service period. The fair value of options at the date of grant is estimated using the Black-Scholes option pricing model. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of the Company’s common shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free interest rate approximates the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. Due to limited history of forfeitures, the Company has elected to account for forfeitures as they occur. Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense.

Earnings (Loss) Per Share

Basic earnings (loss) per common share (“EPS”) is based on the weighted average number of shares outstanding during each period presented. Shares of unissued vested restricted stock units (“RSUs”) and restricted stock awards (“RSAs”) are included in our calculation of basic weighted average shares outstanding. Convertible securities, warrants and options to purchase common stock are included as common stock equivalents only when dilutive. Potential common stock equivalents are excluded from dilutive earnings per share when the effects would be antidilutive.

The Company follows the provisions of ASC 260, *Diluted Earnings per Share*. In computing diluted EPS, basic EPS is adjusted for the assumed issuance of all potentially dilutive securities. The dilutive effect of call options, warrants and share-based payment awards is calculated using the “treasury stock method,” which assumes that the “proceeds” from the exercise of these instruments are used to purchase common shares at the average market price for the period. The dilutive effect of traditional convertible debt and preferred stock is calculated using the “if-converted method.” Under the if-converted method, securities are assumed to be converted at the beginning of the period, and the resulting common shares are included in the denominator of the diluted EPS calculation for the entire period being presented.

The following table summarizes the number of shares of common stock issuable pursuant to our convertible securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive even though the exercise price could be less than the average market price of the common shares:

	Year Ended December 31,	
	2023	**2022**
Series B Preferred Stock	-	1,404,868
RSUs and RSAs	3,556,375	1,743,250

Stock options	2,336,222	3,758,920
Warrants	4,730,607	3,859,638
Convertible long-term debt	671,141	-
Potentially dilutive securities	11,294,345	10,766,676

Segment Data

Our portfolio of brands are included within two operating segments: Telehealth and WorkSimpli. We believe our current segments and brands within our segments complement one another and position us well for future growth. Segment operating results are reviewed by the chief operating decision maker to make determinations about resources to be allocated and to assess performance. Other factors, including type of business, revenue recognition and operating results are reviewed in determining the Company's operating segments.

Fair Value of Financial Instruments

The fair value of a financial instrument is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities subject to ongoing fair value measurement are categorized and disclosed into one of the three categories depending on observable or unobservable inputs employed in the measurement. Hierarchical levels, which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities, are as follows:

1. Level 1: Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
2. Level 2: Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
3. Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

The carrying value of the Company's financial instruments, including cash, accounts receivable, accounts payable, accrued expenses, the face amount of notes payable and convertible long-term debt approximate fair value for all periods presented.

Concentrations of Risk

The Company monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Company, at times, maintains balances in various operating accounts in excess of federally insured limits. We are dependent on certain third-party manufacturers and pharmacies, although we believe that other contract manufacturers or third-party pharmacies could be quickly secured if any of our current manufacturers or pharmacies cease to perform adequately. As of December 31, 2023, we utilized three (3) suppliers for fulfillment services, nine (9) suppliers for manufacturing finished goods, seven (7) suppliers for packaging, bottling, and labeling, and five (5) suppliers for prescription medications. As of December 31, 2022, we utilized four (4) suppliers for fulfillment services, six (6) suppliers for manufacturing finished goods, five (5) suppliers for packaging, bottling, and labeling, and three (3) suppliers for prescription medications.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which requires an entity to utilize the current expected credit loss ("CECL") impairment model to estimate its lifetime "expected credit loss" and record an allowance that is deducted from the amortized cost basis of the financial assets and certain other instruments, including but not limited to available-for-sale debt securities. Credit losses relating to available-for-sale debt securities are recorded through an allowance for credit losses. ASU 2016-13 requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*, which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022 for all entities except SEC reporting companies that are not smaller reporting companies. The Company adopted ASU 2016-13 as of January 1, 2023. The adoption did not have a material impact on the Company's financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805); Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This new guidance affects all entities that enter into a business combination within the scope of ASC 805-10. Under this new guidance, the acquirer should determine what contract assets and/or liabilities it would have recorded under ASC 606, *Revenue from Contracts with Customers*, as of the acquisition date, as if the acquirer had entered into the original contract at the same date and on the same terms as the acquirer. Under current U.S. GAAP, contract assets and contract liabilities acquired in a business combination are recorded by the acquirer at fair value. The Company adopted ASU 2021-08 as of January 1, 2023. The adoption did not have a material impact on the Company's financial statements.

Other Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 will become effective for the Company's annual period beginning on January 1, 2024. The Company does not expect the application of ASU 2023-07 to have a material impact to its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to improve its income tax disclosure requirements. Under ASU 2023-09, entities must annually: (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will become effective for the Company beginning on January 1, 2025. The Company does not expect the application of ASU 2023-09 to have a material impact to its consolidated financial statements and related disclosures.

All other accounting standards updates that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

NOTE 3 – ACQUISITIONS

On January 18, 2022, the Company completed the acquisition of Cleared. The acquisition adds to the Company's growing portfolio of telehealth capabilities. The Company accounted for the transaction using the acquisition method in accordance with ASC 805, *Business Combinations*, with the purchase price being allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. Fair values were determined using income approaches. The results of Cleared are included within the consolidated financial statements commencing on the acquisition date.

The purchase price was approximately $ 9.1 million, including cash paid upfront of approximately $ 1.0 million and payable in the future of approximately $ 3.0 million, and contingent consideration of $ 5.1 million. The purchase agreement included up to $ 72.8 million of potential earn-out payable in cash or stock upon achievement of revenue targets, which was originally recognized as contingent consideration. The Company, with the assistance of a third-party valuation expert, estimated the fair value of the acquired tangible and identifiable intangible assets using significant estimates such as revenue projections. The fair value of the identified intangible assets was based primarily on significant unobservable inputs and thus represent a Level 3 measurement as defined in ASC 820, *Fair Value Measurement*. The fair value of the trade name and developed technology were determined using the relief-from-royalty method under the income approach. The royalty rates used to determine the fair value of the trade name and developed technology were 0.10 % and 1.0 %, respectively. The fair value of the customer relationships was determined using the multi-period excess earnings method which involves forecasting the net earnings expected to be generated. The customer attrition rate used to determine the fair value of the customer relationships was 10.0 %. The discount rate used to determine the fair value of the trade name, developed technology and customer relationships was 70.5 %.

The following table summarizes the acquisition date fair values of assets acquired and liabilities assumed:

Purchase price, net of cash acquired	$	9,091,762
Less:		
Customer relationship intangible asset		918,812
Trade name intangible asset		133,339
Developed technology intangible asset		12,920
Inventory		7,168
Fixed assets		37,888
Deferred taxes		354,000
Accounts payable and other current liabilities		(408,030)
Goodwill	$	8,035,665

The purchase price and purchase price allocation for Cleared was finalized as of September 30, 2022 with no significant changes to preliminary amounts. Based on the final purchase price allocation, the aggregate goodwill recognized was $ 8.0 million, which is not expected to be deductible for income tax purposes. The amount allocated to goodwill and intangible assets reflected the benefits the Company expected to realize from the growth of the acquisition's operations.

On February 4, 2023, the Company entered into the Cleared First Amendment. The Cleared Stock Purchase Agreement was amended to, among other things: (i) reduce the total purchase price by $ 250 thousand to a total of $ 3.67 million; (ii) change the timing of the payment of the purchase price to $ 460 thousand paid at closing (which has already been paid by the Company), with the remaining amount to be paid in five quarterly installments beginning on or before February 6, 2023 and ending January 15, 2024; (iii) remove all "earn-out" payments payable by the Company to the sellers; and (iv) removing certain representations and warranties of the Company and sellers in connection with the transaction. The Company issued the following shares of common stock to the sellers of Cleared under the Cleared First Amendment: (1) 337,895 shares on February 6, 2023, (2) 455,319 shares on April 17, 2023, (3) 158,129 shares on July 17, 2023, (4) 117,583 shares on October 17, 2023 and (5) 95,821 shares on January 16, 2024.

During the year ended December 31, 2022, the Company recorded a decrease of $ 5.1 million to the Cleared contingent consideration as a result of the remeasurement of the fair value. The decline in the estimated fair value of the Cleared contingent consideration is a result of a decline in the Cleared financial projections and the removal of all earn-out payments payable by the Company from the terms of the Cleared First Amendment. During the year ended December 31, 2022, the Company also recorded an $ 8.0 million goodwill impairment charge and an $827 thousand intangible asset impairment charge based on the decline in the Cleared financial projections (See Note 4).

The pro forma financial information, assuming the acquisition had taken place on January 1, 2022, as well as the revenue and earnings generated during the period after the acquisition date, were not material for separate disclosure and, accordingly, have not been presented.

In February 2022, WorkSimpli closed on the ResumeBuild APA to purchase the related intangible assets associated with the ResumeBuild brand, a subscription-based resume building software. The acquisition further adds to the capabilities of the WorkSimpli software as a service application. The purchase price was $ 4.5 million, including cash paid upfront of $ 4.0 million and contingent consideration of $ 500 thousand. In accordance with ASC 805, *Business Combinations*, the Company accounted for the ResumeBuild APA as an acquisition of assets as substantially all the fair value of the gross assets acquired is concentrated in a group of similar assets. The Company has elected to group the complementary intangible assets acquired as a single brand intangible asset. Additionally, the Seller is entitled to quarterly payments equal to the greater of 15 % of net profits (as defined in the ResumeBuild APA) or $ 62,500 , for a two-year period ending on the two-year anniversary of the closing of the Acquisition. As of December 31, 2023, WorkSimpli has paid the Seller approximately $ 469 thousand in accordance with the ResumeBuild APA. The Company estimated the fair value of the contingent consideration using the income approach and will remeasure the fair value quarterly with changes accounted for through earnings.

NOTE 4 – GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill balance related to the Cleared acquisition was $ 0 for both the years ended December 31, 2023 and 2022. During the year ended December 31, 2022, the Company recorded an $ 8.0 million goodwill impairment charge related to a decline in the estimated fair value of Cleared as a result of a decline in the Cleared financial projections.

As of December 31, 2023 and 2022, the Company has the following amounts related to amortizable intangible assets:

	December 31,				Amortizable
	2023		2022		Life
Amortizable Intangible Assets:					
ResumeBuild brand	$	4,500,000	$	4,500,000	5 years
Customer relationship asset		1,006,840		1,006,840	3 years
Cleared trade name		133,339		133,339	5 years
Cleared developed technology		12,920		12,920	1 year
Purchased licenses		200,000		200,000	10 years
Website domain names		171,599		22,731	3 years
Less: accumulated amortization		(3,015,435)		(2,043,971)	

Total net amortizable intangible assets	$ 3,009,263	$ 3,831,859

During the year ended December 31, 2022, the Company recorded an $ 827 thousand impairment loss related to a decline in the estimated fair value of the Cleared customer relationship intangible asset with an original cost of $ 919 thousand and accumulated amortization of $ 92 thousand. The aggregate amortization expense of the Company's intangible assets for the years ended December 31, 2023 and 2022 was $ 971 thousand and $ 927 thousand, respectively. Total amortization expense for 2024 through 2025 is approximately $ 980 thousand per year, 2026 is approximately $ 940 thousand and for 2027 is approximately $ 112 thousand.

NOTE 5 – ACCRUED EXPENSES

As of December 31, 2023 and 2022, the Company has the following amounts related to accrued expenses:

	December 31,	
	2023	2022
Accrued selling and marketing expenses	$ 5,198,123	$ 3,508,883
Accrued compensation	3,003,007	576,027
Sales tax payable	2,501,035	2,501,035
Accrued dividends payable	776,563	776,563
Purchase price payable	641,042	2,463,002
Accrued interest	-	448,718
Other accrued expenses	1,817,724	1,892,281
Total accrued expenses	$ 13,937,494	$ 12,166,509

NOTE 6 – NOTES PAYABLE

Working Capital Loans

In October 2022, the Company received proceeds of $ 976 thousand under a 12-month working capital loan with Amazon. The terms of the loan include interest in the amount of $ 62 thousand. As of December 31, 2023 and 2022, the outstanding balance was $ 111 thousand and $ 976 thousand, respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet. The outstanding balance as of December 31, 2023 was repaid in January 2024.

In November 2022, the Company received proceeds of $ 1.9 million under two 10-month working capital loans with Balanced Management. The terms of the loans include loan origination fees in the amount of $ 60 thousand and total interest of $ 840 thousand. As of December 31, 2023 and 2022, the outstanding balance was $ 0 and $ 1.821 million, respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet.

In January and February 2023, the Company received proceeds of $ 2 million under a $ 2.5 million loan facility with CRG Financial, maturing on December 15, 2023 . The loan facility includes interest of 12 %. The Company repaid the $ 2 million outstanding loan balance on March 21, 2023 with the proceeds received from the Avenue Facility and recorded a $ 325 thousand loss on debt extinguishment related to the repayment of the CRG Financial loan due to a prepayment penalty and various fees. As of both December 31, 2023 and 2022, the outstanding balance was $ 0 related to the CRG Financial loan.

During the year ended December 31, 2023, the Company financed a $ 348 thousand prepaid insurance policy under a 10-month financing agreement with Arthur J. Gallagher Risk Management Services, LLC. The terms of the agreement include finance fees in the amount of $ 13 thousand. As of December 31, 2023 and 2022, the outstanding balance was $ 217 thousand and $ 0 , respectively, and is included in notes payable, net, on the accompanying consolidated balance sheet.

Total interest expense on notes payable amounted to $ 256 thousand and $ 653 thousand for the year ended December 31, 2023 and 2022, respectively.

PPP Loan and Forgiveness

In June 2020, the Company and its subsidiaries received three loans in the aggregate amount of approximately $ 249 thousand (the "PPP Loan") under the new Paycheck Protection Program legislation administered by the SBA. These loans bear interest at one percent per annum (1.0 %) and mature five years from the date of the first disbursement. The proceeds of the PPP Loan must be used for payroll costs, lease payments on agreements entered into before February 15, 2020 and utility payments under lease agreements entered into before February 1, 2020. At least 60% of the proceeds must be used for payroll costs and certain other expenses and no more than 40% may be used on non-payroll expenses. Proceeds from the PPP Loan used by the Company for the approved expense categories may be fully forgiven by the SBA if the Company satisfies applicable employee headcount and compensation requirements. During the year ended December 31, 2022, the Company had a total of $ 63 thousand of its PPP loans forgiven by the SBA which is included in gain on debt forgiveness on the accompanying consolidated statement of operations. As of December 31, 2023 and 2022, the Company had no remaining PPP loan balance.

NOTE 7 – LONG-TERM DEBT

Avenue Capital Credit Facility

As noted in Note 1 above, on March 21, 2023, the Company entered into the Avenue Credit Agreement and the Avenue Supplement. The Avenue Credit Agreement provides for a convertible senior secured credit facility of up to an aggregate amount of $ 40 million, comprised of the following: (1) $ 15 million in term loans funded at closing, (2) $ 5 million of additional committed term loans received on September 26, 2023 in conjunction with the Avenue First Amendment and (3) $ 20 million of additional uncommitted term loans, collectively referred to as the "Avenue Facility". The Company issued Avenue Warrants to purchase $ 1.2 million of the Company's common stock at an exercise price of $ 1.24 , subject to adjustments. The Avenue Warrants have a term of five years. The relative fair value of the Avenue Warrants upon closing was $ 873 thousand. In addition, Avenue may convert up to $ 2 million of the $ 15 million in term loans funded at closing into shares of the Company's common stock at any time while the loans are outstanding, at a price per share equal to $ 1.49 . The relative fair value of the Avenue Warrants was recorded to debt discount and is included as a reduction to long-term debt on the consolidated balance sheet as of December 31, 2023. The Company incurred other fees associated with the Avenue Facility including: (1) a $300 thousand financing fee, (2) a $200 thousand upfront commitment fee of 1% of the total $20 million in committed capital and (3) $27 thousand in legal fees. The total debt discount recorded of $1.4 million will be amortized over a forty-two-month period. Total amortization of debt discount was $ 334 thousand and $0 for the years ended December 31, 2023 and 2022, respectively. The Company received gross proceeds of $ 15.0 million at closing (net proceeds of $ 12.3 million after repayment of the $ 2 million outstanding CRG loan balance and various fees).

The Avenue Facility matures on October 1, 2026 and interest is based on the greater of: (1) the Prime Rate (as defined in the Supplement) plus 4.75% and (2) 12.5%. At December 31, 2023, the interest rate was 13.25%. Payments are interest only until November 2024. The Company may prepay the loans, subject to a prepayment penalty of 1.00 % to 3.00 % of the principal amount prepaid, depending on the timing of the prepayment. Proceeds from the Avenue Facility were used to repay the Company's outstanding notes payable balances with CRG Financial and are expected to be utilized for general corporate purposes.

On November 15, 2023, Avenue converted $ 1 million of the principal amount of the outstanding term loans into shares of the Company's common stock. This resulted in 672,042 shares of common stock issued to Avenue. Additionally on November 15, 2023, Avenue exercised 96,773 of the Avenue Warrants on a cashless basis resulting in 79,330 shares of the Company's common stock issued.

The Company is subject to certain affirmative and negative covenants under the Avenue Facility, including the requirement, beginning on the closing date, to maintain at least $ 5 million of unrestricted cash to be tested at the end of each month, and beginning on the period ended September 30, 2023, and at the end of each quarter thereafter, a trailing six-month cash flow, subject to certain adjustments as provided by the Avenue Credit Agreement, of at least $ 2 million. As of December 31, 2023, there was $ 19 million outstanding under the Avenue Facility and the Company was in compliance with the Avenue Facility covenants.

Total interest expense on long-term debt, inclusive of amortization of debt discounts, amounted to $ 2.0 million and $ 0 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 – STOCKHOLDERS' EQUITY

The Company has authorized the issuance of up to 100,000,000 shares of common stock, $ 0.01 par value, and 5,000,000 shares of preferred stock, $ 0.0001 par value, of which 5,000 shares are designated as Series B Convertible Preferred Stock, 1,610,000 are designated as Series A Preferred Stock and 3,385,000 shares of preferred stock remain undesignated.

On June 8, 2021, the Company filed the 2021 Shelf. Under the 2021 Shelf at the time of effectiveness, the Company originally had the ability to raise up to $ 150 million by selling common stock, preferred stock, debt securities, warrants and units. In conjunction with the 2021 Shelf, the Company also entered into the ATM Sales Agreement whereby the Company may offer and sell, from time to time, shares of common stock. As of December 31, 2023, the Company had $ 53.3 million available under the ATM Sales Agreement and $ 32.0 million available under the 2021 Shelf.

Series A Preferred Stock

In September 2021, the Company entered into the Preferred Underwriting Agreement and the Common Underwriting Agreement with B.Riley. Pursuant to the Preferred Underwriting Agreement, the Company agreed to sell 1,400,000 shares of its Series A Preferred Stock under the Preferred Stock Offering. The option was not exercised. Pursuant to the Common Underwriting Agreement, the Company agreed to sell to B. Riley 3,833,334 Common Shares under the Common Stock Offering. The offerings, closed on October 4, 2021. Net proceeds after deducting the underwriting discounts and commissions, the structuring fee and estimated offering expenses payable by the Company, but before repayment of debt, from the Offerings was approximately $ 55.3 million.

The Series A Preferred Stock ranks senior to the Company's common stock with respect to the payment of dividends and liquidation rights. The Company will pay cumulative distributions on the Series A Preferred Stock, from the date of original issuance, in the amount of $ 2.21875 per share each year, which is equivalent to 8.875 % of the $ 25.00 liquidation preference per share. Dividends on the Series A Preferred Stock will be payable quarterly in arrears, on or about the 15th day of January, April, July and October of each year. The first dividend on the Series A Preferred Stock sold in this offering was declared on December 23, 2021 to holders of record as of January 4, 2022 and was paid on January 14, 2022.

Dividends declared and paid on the Series A Preferred Stock during the year ended December 31, 2023 are as follows: (1) quarterly dividend declared on March 28, 2023 to holders of record as of April 7, 2023 and was paid on April 17, 2023, (2) quarterly dividend declared on June 27, 2023 to holders of record as of July 7, 2023 and was paid on July 17, 2023, (3) quarterly dividend declared on September 26, 2023 to holders of record as of October 6, 2023 and was paid on October 16, 2023 and (4) quarterly dividend declared on December 26, 2023 to holders of record as of January 5, 2024 and was paid on January 15, 2024.

Dividends declared and paid on the Series A Preferred Stock during the year ended December 31, 2022 are as follows: (1) quarterly dividend on the Series A Preferred Stock was declared on March 25, 2022 to holders of record as of April 5, 2022 and was paid on April 15, 2022, (2) quarterly dividend on the Series A Preferred Stock was declared on June 27, 2022 to holders of record as of July 5, 2022 and was paid on July 15, 2022, (3) quarterly dividend on the Series A Preferred Stock was declared on September 27, 2022 to holders of record as of October 7, 2022 and was paid on October 17, 2022 and (4) quarterly dividend on the Series A Preferred Stock was declared on December 27, 2022 to holders of record as of January 6, 2023 and was paid on January 17, 2023. Dividends in the amount of $ 3.1 million are included in the Company's results of operations for each of the years ended December 31, 2023 and 2022.

Holders of the Series A Preferred Stock have no voting rights except in the case of certain dividend nonpayments. If dividends on the Series A Preferred Stock are in arrears, whether or not declared, for six or more quarterly periods, whether or not these quarterly periods are consecutive, holders of Series A Preferred Stock and holders of all other classes or series of parity preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class will be entitled to vote, at a special meeting called by the holders of record of at least 10 % of any series of preferred stock as to which dividends are so in arrears or at the next annual meeting of stockholders, for the election of two additional directors to serve on our Board until all dividend arrearages have been paid. If and when all accumulated dividends on the Series A Preferred Stock for all past dividend periods shall have been paid in full, holders of shares of Series A Preferred Stock shall be divested of the voting rights set forth above.

The Series A Preferred Stock is perpetual and has no maturity date. No outstanding shares of Series A Preferred Stock have been redeemed. However, the Series A Preferred Stock will be redeemable at our option, in whole or in part, at the following redemption prices, plus any accrued and unpaid dividends up to, but not including, the date of redemption: 1) on and after October 15, 2022 and prior to October 15, 2023, at a redemption price equal to $ 25.75 per share, 2) on and after October 15, 2023 and prior to October 15, 2024, at a redemption price equal to $ 25.50 per share, 3) on and after October 15, 2024 and prior to and prior to October 15, 2025 at a redemption price equal to $ 25.25 per share and 4) on and after October 15, 2025 at a redemption price equal to $ 25.00 per share. In addition, upon the occurrence of a delisting event or change of control, we may, subject to certain conditions, at our option, redeem the Series A Preferred Stock, in whole or in part within 90 days after the first date on which such delisting event occurred or within 120 days after the first date on which such change of control occurred, as applicable, by paying $ 25.00 per share, plus any accumulated and unpaid dividends up to, but not including, the redemption date.

Upon the occurrence of a delisting event or a change of control, each holder of Series A Preferred Stock will have the right unless we have provided or provide notice of our election to redeem the Series A Preferred Stock, to convert some or all of the shares of Series A Preferred Stock held by such holder into a number of shares of our common stock (or equivalent value of alternative consideration) per share of Series A Preferred Stock, or the "Common Stock Conversion Consideration". In the case of a delisting event or change of control, pursuant to which shares of common stock shall be converted into cash, securities or other property or assets (the “Alternative Form Consideration”), a holder of shares of Series A Preferred Stock shall receive upon conversion of such shares of Series A Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the delisting event or change of control, had such holder held a number of shares of common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the delisting event or change of control.

Series B Convertible Preferred Stock

On August 27, 2020, the Secretary of State of the State of Delaware delivered confirmation of the effective filing of the Company’s Certificate of Designations of the Series B Convertible Preferred Stock, which established 5,000 shares of the Company’s Series B Preferred Stock, having such designations, rights and preferences as set forth therein (the “Series B Designations”).

The shares of Series B Preferred Stock have a stated value of $ 1,000 per share (the “Series B Stated Value”) and are convertible into Common Stock at the election of the holder of the Series B Preferred Stock, at a price of $ 3.25 per share, subject to adjustment (the “Conversion Price”). Each holder of Series B Preferred Stock shall be entitled to receive, with respect to each share of Series B Preferred Stock then outstanding and held by such holder, dividends at the rate of thirteen percent (13 %) per annum (the “Preferred Dividends”).

The Preferred Dividends shall accrue and be cumulative from and after the date of issuance of any share of Series B Preferred Stock on a daily basis computed on the basis of a 365-day year and compounded quarterly. The Preferred Dividends are payable only when, as, and if declared by the Board of Directors of the Company (the “Board”) and the Company has no obligation to pay such Preferred Dividends; provided, however, if the Board determines to pay any Preferred Dividends, the Company shall pay such dividends in kind in a number of additional shares of Series B Preferred Stock (the “PIK Shares”) equal to the quotient of (i) the aggregate amount of the Preferred Dividends being paid by the Company in respect of the shares of Series B Preferred Stock held by such holder, divided by (ii) the Series B Issue Price (as defined in the Series B Designations); provided, further, that, at the election of the purchasers holding a majority of the shares of Series B Preferred Stock then outstanding, in their sole discretion, such Preferred Dividends shall be paid in cash or a combination of cash and PIK Shares. Notwithstanding the foregoing, the Preferred Dividends may be paid in cash at the election of the Company if, and only if, (a) the purchasers holding a majority of the shares of Series B Preferred Stock then outstanding consent in writing to the payment of any specific dividend in cash, or (b) at any time following the twenty-four (24) month anniversary of the Closing, (i) the prevailing volume-weighted average price (“VWAP”) of the Common Stock over the trailing ninety (90)-day period is equal to or greater than $ 15.00 per share (subject to adjustments for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, reverse stock splits or other similar events), and (ii) the average trading volume of the Common Stock over the trailing ninety (90)-day period is equal to or greater than 40,000 shares of Common Stock per day, or (c) at any time following the thirty-six (36) month anniversary of the Closing .

The holders of Series B Preferred Stock rank senior to the Common Stock with respect to payment of dividends and rights upon liquidation and will vote together with the holders of the Common Stock on an as-converted basis, subject to beneficial ownership limitations, on each matter submitted to a vote of holders of Common Stock (whether at a meeting of stockholders or by written consent). In addition, as further described in the Series B Designations, if at least 30 % of the number of shares of Series B Preferred Stock sold at the Closing are outstanding, the Company will not take certain corporate actions without the affirmative vote at a meeting (or the written consent with or without a meeting) of the purchasers holding a majority of the shares of Series B Preferred Stock then outstanding.

If at any time following the twelve (12)-month anniversary of the Closing (a) the prevailing VWAP (as defined in the Series B Designations) of the Common Stock over the trailing ninety (90)-day period is equal to or greater than $ 15.00 per share ($ 3.00 pre-split) (subject to adjustments for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, reverse stock splits or other similar events), and (b) the average trading volume of the Common Stock over the trailing ninety (90)-day period is equal to or greater than 40,000 shares of Common Stock per day, the Company shall have the right, but not the obligation, in its sole discretion, to elect to convert all, but not less than all, of the then-outstanding shares of Series B Preferred Stock into Common Stock by delivering written notice of such election (the “Forced Conversion Notice”) to the holders of the Series B Preferred Stock within ten (10) Business Days following the satisfaction of the criteria of clauses (a) and (b) above (a “Forced Conversion”) . On the Forced Conversion Date (as defined in the Series B Designations), each share of Series B Preferred Stock shall be converted into the number of fully paid and non-assessable shares of Common Stock equal to the quotient of: (x) the sum of (1) the Series B Issue Price, plus (2) any accrued but unpaid dividends on such share of Series B Preferred Stock as of immediately prior to the conversion thereof, including the Preferred Dividends, divided by (y) the Conversion Price of such share of Series B Preferred Stock in effect at the time of conversion. The Forced Conversion Notice shall state (i) the number of shares of Series B Preferred Stock held by such Holder that are proposed to be converted, and (ii) the date on which such Forced Conversion shall occur, which date shall be the thirtieth (30^{th}) day following the date such Forced Conversion Notice is deemed given (a “Forced Conversion Date”).

In the event of a Forced Conversion, a holder may elect, in its sole discretion and in lieu of the Forced Conversion, to have each then-outstanding share of Series B Preferred Stock held by such holder be redeemed by the Company (a “Forced Conversion Redemption”) by delivering written notice to the Company (a “Forced Conversion Redemption Notice” and the date such Holder delivers such notice to the Corporation, a “Forced Conversion Redemption Notice Date”) prior to the Forced Conversion Date, which notice shall state (a) the number of shares of Series B Preferred Stock that are to be redeemed, (b) the date on which such Forced Conversion Redemption shall occur, which date shall be the tenth (10th) Business Day following the applicable Forced Conversion Redemption Notice Date (the “Forced Conversion Redemption Date”) and (c) the wire instructions for the payment of the applicable amount owed to such holder. Each share of Series B Preferred Stock that is the subject of a Forced Conversion Redemption shall be redeemed by the Company in cash at a price per share equal to the sum of (1) the Series B Issue Price, plus (2) any accrued but unpaid dividends on such share of Series B Preferred Stock, including the Preferred Dividends (the “Per Share Forced Conversion Redemption Price”).

If a sufficient number of shares of Common Stock are not available to effect the conversion of the Series B Preferred Stock outstanding into Common Stock and the exercise of the warrants, each holder shall have the right, in its sole and absolute discretion (in addition to and not to the exclusion of any remedy such holder may have at law or in equity), to require that the Company redeem (an “Optional Redemption”), to the fullest extent permitted by law and out of funds lawfully available therefor, all or any portion of such holder’s Series B Preferred Stock then outstanding by delivering written notice thereof. The Series B Preferred Stock contains certain Change of Control provisions that preclude permanent equity classification.

On July 10, 2023, and August 14, 2023, PA001 Holdings, LLC (“PA001 Holdings”), the holder of the Company’s Series B Preferred Stock, elected to convert 2,275 and 1,225 shares, respectively, of the Company’s Series B Preferred Stock into common stock, at a price of $ 3.25 per share of Series B Preferred Stock, pursuant to the terms of the Securities Purchase Agreement dated August 28, 2020 (“PA001 Securities Purchase Agreement”). The conversion was calculated based on the original issuance price of the Series B Preferred Stock plus all accrued dividends to date. The conversion resulted in 1,010,170 and 550,694 shares of the Company’s common stock issued to PA001 Holdings, on July 12, 2023 and August 15, 2023, respectively. The balance for the Series B Preferred Stock was $ 0 and $ 4.6 million as of December 31, 2023 and 2022, respectively.

Options and Warrants

During the year ended December 31, 2023, the Company issued an aggregate of 74,372 shares of common stock related to the cashless exercise of options.

During the year ended December 31, 2023, the Company issued an aggregate of 37,500 shares of common stock related to the exercise of options for total proceeds of $ 94,500 .

During the year ended December 31, 2023, the Company issued an aggregate of 79,330 shares of common stock related to the cashless exercise of warrants.

During the year ended December 31, 2022, the Company issued an aggregate of 90,400 shares of common stock related to the exercise of options for total proceeds of $ 90,400 .

During the year ended December 31, 2022, the Company issued an aggregate of 29,691 shares of common stock related to cashless exercise of options.

During the year ended December 31, 2022, the Company issued an aggregate of 22,000 shares of common stock related to the exercise of warrants for total proceeds of $ 38,500 .

Common Stock

Common Stock Transactions During the Year Ended December 31, 2023

During the year ended December 31, 2023, the Company issued an aggregate of 978,500 shares of common stock for service, including vested restricted stock.

On February 4, 2023, the Company entered into the Cleared First Amendment between the Company and the sellers of Cleared. The Cleared Stock Purchase Agreement was amended to, among other things change the timing of the payment of the purchase price to $ 460 thousand paid at closing (which has already been paid by the Company), with the remaining amount to be paid in five quarterly installments beginning on or before February 6, 2023 and ending January 15, 2024. The Company issued the following shares of common stock to the sellers of Cleared under the Cleared First Amendment during the year ended December 31, 2023: (1) 337,895 shares on February 6, 2023, (2) 455,319 shares on April 17, 2023, (3) 158,129 shares on July 17, 2023 and (4) 117,583 shares on October 17, 2023. The fair value of the stock issuances under the Cleared First Amendment during the year ended December 31, 2023 was $ 2.6 million.

During the year ended December 31, 2023, the Company sold 1,009,907 shares of common stock under the ATM Sales Agreement and net proceeds received were $ 6.2 million.

During the year ended December 31, 2023, the Company issued 100,000 shares of common stock related to the settlement of the *Harborside Advisors LLC v. LifeMD, Inc.*, Case No. 21-cv-10593, and the *Specialty Medical Drugstore, LLC D/B/A GoGoMeds v. LifeMD, Inc.* , Case No. 21-cv-10599, matters. The shares issued were valued based on the closing price of the Company's stock, or $ 5.32 , on the date of settlement, July 10, 2023.

On July 10, 2023, and August 14, 2023, PA001 Holdings, the holder of the Company's Series B Preferred Stock, elected to convert 2,275 and 1,225 shares, respectively, of the Company's Series B Preferred Stock into common stock, at a price of $ 3.25 per share of Series B Preferred Stock, pursuant to the terms of the PA001 Securities Purchase Agreement. The conversion was calculated based on the original issuance price of the Series B Preferred Stock plus all accrued dividends to date or approximately $ 5.1 million. The conversion resulted in 1,010,170 and 550,694 shares of the Company's common stock issued to PA001 Holdings, on July 12, 2023 and August 15, 2023, respectively.

On March 21, 2023, in connection with the Company's closing of the Avenue Credit Agreement, the Company issued Avenue Warrants to purchase $ 1.2 million of the Company's common stock at an exercise price of $ 1.24 , subject to adjustments. In addition, Avenue may convert up to $ 2 million of the $ 15 million in term loans funded at closing into shares of the Company's common stock at any time while the loans are outstanding, at a price per share equal to $ 1.49 . On November 15, 2023, Avenue converted $ 1 million of the principal amount of the outstanding term loans into shares of the Company's common stock. This resulted in 672,042 shares of common stock issued to Avenue. Additionally on November 15, 2023, Avenue exercised 96,773 of the Avenue Warrants on a cashless basis, resulting in 79,330 shares of the Company's common stock issued.

On December 11, 2023, in connection with the Medifast Collaboration, the Company entered into a stock purchase agreement with Medifast's wholly-owned subsidiary, Jason Pharmaceuticals, Inc., whereby the Company issued 1,224,425 shares of its common stock, in a private placement at a purchase price of $ 8.1671 per share, for aggregate proceeds of approximately $ 10 million.

Common Stock Transactions During the Year Ended December 31, 2022

During the year ended December 31, 2022, the Company issued an aggregate of 306,250 shares of common stock for services rendered.

During the year ended December 31, 2022, the Company issued 400,000 shares of common stock related to a legal settlement.

WorkSimpli Software Restructuring Transaction ("WSS Restructuring")

Effective January 22, 2021 (the "WSS Effective Date"), the Company consummated the WSS Restructuring. To effect the WSS Restructuring the Company's wholly-owned subsidiary Conversion Labs PR (now "LifeMD PR"), entered into a series of membership interest exchange agreements, pursuant to which, Conversion Labs PR exchanged that certain promissory note, dated May 8, 2019 with an outstanding balance of $ 376 thousand (the "CVLB PR Note"), issued by WSS in favor of Conversion Labs PR, for 37,531 newly issued membership interests of WSS (the "Exchange"). Upon consummation of the Exchange the CVLB PR Note was extinguished.

Concurrently, in furtherance of the WSS Restructuring, Conversion Labs PR entered into two Membership Interest Purchase Agreements (the "Founding Members MIPAs") with two founding members of WSS (the "Founding Members") whereby Conversion Labs PR purchased from the Founding Members an aggregate of 2,183 membership interests of WSS for an aggregate purchase price of $ 225 thousand, paid in December 2020.

In furtherance of the WSS Restructuring, Conversion Labs PR entered into a Membership Interest Purchase Agreement with WSS, (the "CVLB PR MIPA"), pursuant to which Conversion Labs PR purchased 12,000 membership interests of WSS for an aggregate purchase price of $ 300 thousand.

Following the consummation of the WSS Restructuring, Conversion Labs PR increased its ownership of WSS from 51 % to approximately 85.58 % on a fully diluted basis. WSS entered into an amendment to its operating agreement (the "WSS Operating Agreement Amendment") to reflect the change in ownership.

Concurrently with the WSS Restructuring, Conversion Labs PR entered into option agreements with Sean Fitzpatrick (the "Fitzpatrick Option Agreement") and Varun Pathak (the "Pathak Option Agreement" together with Fitzpatrick Option Agreement the "Option Agreements"), pursuant to which Conversion Labs PR granted options to purchase membership interest units of WSS.

The Fitzpatrick Option Agreement grants Sean Fitzpatrick the option to purchase 10,300 membership interest units of WSS for an exercise price of $ 1.00 per membership interest unit. The Fitzpatrick Options vest in accordance with the following (i) 3,434 membership interests upon WSS achieving $ 2.5 million of gross sales in any fiscal quarter (ii) 3,434 membership interests upon WSS achieving $ 4.0 million of gross sales in any fiscal quarter, and (iii) 3,434 membership interests upon WSS achieving $ 8.0 million of gross sales with a ten percent (10%) net profit margin in any fiscal quarter .

The Pathak Option Agreement grants Varun Pathak the option to purchase 2,100 membership interest units of WSS for an exercise price of $ 1.00 per membership interest unit. The Pathak Options vest in accordance with the following (i) 700 membership interests upon WSS achieving $ 2.5 million of gross sales in any fiscal quarter (ii) 700 membership interests upon WSS achieving $ 4.0 million of gross sales in any fiscal quarter, and (iii) 700 membership interests upon WSS achieving $ 8.0 million of gross sales with a ten percent (10%) net profit margin in any fiscal quarter .

WorkSimpli Software Capitalization Update

On September 30, 2022, Sean Fitzpatrick and Varun Pathak exercised their options to purchase 10,300 and 2,100 membership interest units, respectively, of WorkSimpli for an exercise price of $ 1.00 per membership interest unit under the Option Agreements. Following the exercise of the Option Agreements, Conversion Labs PR decreased its ownership interest in WorkSimpli from 85.58 % to 73.64 %. Effective March 31, 2023, the Company redeemed 500 membership interest units in WorkSimpli. Following the retirement, Conversion Labs PR's ownership interest in WorkSimpli increased to 74.06 %. On June 30, 2023, WorkSimpli's Chief Operating Officer, exercised her option agreement (the "WorkSimpli COO Option Agreement") to purchase 889 membership interest units of WorkSimpli for an exercise price of $ 1.00 per membership interest unit. Following the exercise of the WorkSimpli COO Option Agreement, Conversion Labs PR decreased its ownership interest in WorkSimpli from 74.06 % to 73.32 %.

On June 30, 2023, WorkSimpli declared a cash dividend in the amount of $ 22.40 per membership interest unit to all unit holders of record as of June 30, 2023 and was paid on July 3, 2023 . On July 31, 2023, WorkSimpli declared a cash dividend in the amount of $ 11.20 per membership interest unit to all unit holders of record as of July 28, 2023 and was paid on August 1, 2023 . On August 31, 2023, WorkSimpli declared a cash dividend in the amount of $ 16.80 per membership interest unit to all unit holders of record as of August 30, 2023 and was paid on September 1, 2023 . On September 30, 2023, WorkSimpli declared a cash dividend in the amount of $ 14.00 per membership interest unit to all unit holders of record as of September 30, 2023 and was paid on October 5, 2023 . On October 31, 2023, WorkSimpli declared a cash dividend in the amount of $ 11.20 per membership interest unit to all unit holders of record as of October 31, 2023 and was paid on November 8, 2023 . On December 31, 2023, WorkSimpli declared a cash dividend in the amount of $ 13.44 per membership interest unit to all unit holders of record as of January 5, 2024 and was paid on January 5, 2024 . The total dividends declared to noncontrolling interest holders was $ 2.1 million for the year ended December 31, 2023 and is included in the Company's results of operations for the year ended December 31, 2023.

Stock Options

2020 Equity Incentive Plan (the "2020 Plan")

On January 8, 2021, the Company approved the 2020 Plan. Approval of the 2020 Plan was included as Proposal 1 in the Company's definitive proxy statement for its Special Meeting of Stockholders filed with the Securities and Exchange Commission on December 7, 2020. The 2020 Plan is administered by the Compensation Committee of the Board and initially provided for the issuance of up to 1,500,000 shares of Common Stock. The number of shares of Common Stock available for issuance under the Plan automatically increases by 150,000 shares of Common Stock on January 1st of each year, for a period of not more than ten years, commencing on January 1, 2021 and ending on (and including) January 1, 2030. Awards under the 2020 Plan can be granted in the form of stock options, non-qualified and incentive options, stock appreciation rights, restricted stock, and restricted stock units.

On June 24, 2021, at the Annual Meeting of Stockholders, the stockholders of the Company approved an amendment to the 2020 Plan to increase the maximum number of shares of the Company's common stock available for issuance under the 2020 Plan by 1,500,000 shares. As of January 1, 2022, the Plan provided for the issuance of up to 3,300,000 shares of Common Stock.

On June 16, 2022, at the Annual Meeting of Stockholders, the stockholders of the Company approved an amendment to the 2020 Plan to increase the maximum number of shares of the Company's common stock available for issuance under the 2020 Plan by 1,500,000 shares. As of December 31, 2023, the Plan provided for the issuance of up to 4,950,000 shares of Common Stock. Remaining authorization under the 2020 Plan was 61,611 shares as of December 31, 2023.

The forms of award agreements to be used in connection with awards made under the 2020 Plan to the Company's executive officers and non-employee directors are:

- Form of Non-Qualified Option Agreement (Non-Employee Director Awards)
- Form of Non-Qualified Option Agreement (Employee Awards); and
- Form of Restricted Stock Award Agreement.

Previously, the Company had granted service-based stock options and performance-based stock options separate from this plan.

During the year ended December 31, 2023, the Company issued an aggregate of 249,500 stock options to employees under the 2020 Plan and the prior plan. These stock options have contractual terms of 4 – 6.5 years and vest in increments which fully vest the options over a two-to-three-year period, dependent on the specific agreements' terms.

A summary of outstanding options activity under our 2020 Plan is as follows:

	Options Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance, December 31, 2021	2,063,500	$ 4.57 – 21.02	8.04 years	$ 9.41
Granted	169,500	2.30 – 13.74	3.78 years	6.12
Exercised	-			
Cancelled/Forfeited/Expired	(448,413)	3.68 – 13.74	7.99 years	7.66
Balance at December 31, 2022	1,784,587	$ 2.30 – 21.02	6.95 years	$ 9.54
Granted	109,500	1.84 – 7.44	3.86 years	3.50

Exercised	(37,500)	2.52	2.70 years	2.52
Cancelled/Forfeited/Expired	(1,129,698)	2.30 – 21.02	6.62 years	10.12
Balance at December 31, 2023	726,889	$ 1.84 – 13.74	4.93 years	$ 8.08
Exercisable at December 31, 2022	1,185,153	$ 2.30 – 21.02	7.64 years	$ 9.62
Exercisable at December 31, 2023	604,758	$ 1.84 – 13.74	6.23 years	$ 8.44

The total fair value of the options granted during the year ended December 31, 2023 was $ 324 thousand, which was determined by the Black-Scholes Pricing Model with the following assumptions: dividend yield of 0 %, expected term of 4 years, volatility of 119.16 % – 133.67 %, and risk-free rate of 0.82 % – 3.96 %. Total compensation expense under the 2020 Plan options above was $ 4.5 million and $ 5.3 million for the years ended December 31, 2023 and 2022, respectively, with unamortized expense remaining of $ 1.2 million as of December 31, 2023. As of December 31, 2023, aggregate intrinsic value of vested service-based options outstanding was $ 1.2 million.

A summary of outstanding service-based options activity (prior to the establishment of our 2020 Plan above) is as follows:

	Options Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance, December 31, 2021	1,658,733	$ 1.00 – 19.61	5.85 years	$ 5.45
Granted	50,000	4.12	4.01 years	4.12
Exercised	(149,400)	1.00 – 2.00		1.23
Cancelled/Forfeited/Expired	(120,000)	1.00 – 4.12	3.21 years	3.33
Balance at December 31, 2022	1,439,333	$ 1.00 – 19.61	5.63 years	$ 6.11
Granted	140,000	1.00 – 2.00	1.94 years	1.71
Exercised	(120,000)	1.00 – 1.50	4.34 years	1.33
Cancelled/Forfeited/Expired	(335,000)	1.25 – 19.61	3.90 years	14.09
Balance at December 31, 2023	1,124,333	$ 1.00 – 11.98	4.60 years	$ 3.69
Exercisable December 31, 2022	1,158,764	$ 1.00 – 19.61	5.63 years	$ 5.25
Exercisable at December 31, 2023	1,090,083	$ 1.00 – 11.98	4.62 years	$ 3.66

The total fair value of the options granted during the year ended December 31, 2023 was $ 142 thousand, which was determined by the Black-Scholes Pricing Model with the following assumptions: dividend yield of 0 %, expected term of 6.5 years, volatility of 187.76 – 195.58 %, and risk-free rate of 1.21 – 2.26 %. Total compensation expense under the above service-based option plan was $ 1.7 million and $ 2.1 million for the years ended December 31, 2023 and 2022, respectively, with unamortized expense remaining of $ 290 thousand as of December 31, 2023. Of the total service-based options exercised during the year ended December 31, 2023, 120,000 options were exercised on a cashless basis, which resulted in 74,372 shares issued. As of December 31, 2023, aggregate intrinsic value of vested service-based options outstanding was $ 5.2 million.

A summary of outstanding performance-based options activity is as follows:

	Options Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance at December 31, 2021	535,000	$ 1.25 – 2.50	5.59 years	$ 1.60
Granted	150,000	4.12	3.01 years	4.12
Exercised	-			
Cancelled/Forfeited/Expired	(150,000)	4.12	3.01 years	4.12
Balance at December 31, 2022	535,000	$ 1.25 – 2.50	4.59 years	$ 1.60
Granted	-			
Exercised	-			
Cancelled/Forfeited/Expired	(50,000)	2.00		2.00
Balance at December 31, 2023	485,000	$ 1.25 – 2.50	4.13 years	$ 1.56
Exercisable December 31, 2022	470,000	$ 1.50 – 2.50	4.58 years	$ 1.61
Exercisable at December 31, 2023	420,000	$ 1.50 – 2.50	4.20 years	$ 1.56

Total compensation expense under the above performance-based option plan was $ 0 and $ 423 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, aggregate intrinsic value of vested performance options outstanding was $ 2.8 million.

RSUs and RSAs (under 2020 Plan)

A summary of outstanding RSUs and RSAs activity under our 2020 Plan is as follows:

	RSU Outstanding Number of Shares
Balance at December 31, 2021	375,375
Granted	922,500
Vested	(177,125)
Forfeited	(92,500)
Balance at December 31, 2022	1,028,250
Granted	3,625,750
Vested	(674,625)
Cancelled/Forfeited	(785,000)
Balance at December 31, 2023	3,194,375

The total fair value of the 3,625,750 RSUs and RSAs granted was $ 14.4 million which was determined using the fair value of the quoted market price on the date of grant. Total compensation expense under the above 2020 Plan RSUs and RSAs was $ 5.4 million and $ 2.6 million for the years ended December 31, 2023 and 2022, respectively, with unamortized expense remaining of $ 5.5 million as of December 31, 2023. During the year ended December 31, 2023, 674,625 RSUs and RSAs vested, of which 666,000 RSUs and RSAs were issued.

RSUs (outside of 2020 Plan)

A summary of outstanding RSUs and RSAs activity (outside of our 2020 Plan) is as follows:

	RSU Outstanding Number of Shares
Balance at December 31, 2021	600,000
Granted	260,000
Vested	(145,000)
Balance at December 31, 2022	715,000
Granted	725,000
Vested	(390,000)
Cancelled/Forfeited	(500,000)
Balance at December 31, 2023	550,000

The total fair value of the 725,000 granted RSUs and RSAs was $ 2.0 million which was determined using the fair value of the quoted market price on the date of grant. Total compensation expense for RSUs and RSAs outside of the 2020 Plan was $ 885 thousand and $ 1.6 million for the years ended December 31, 2023 and 2022, respectively, with unamortized expense remaining of $ 1.2 million as of December 31, 2023. During the year ended December 31, 2023, 390,000 RSUs and RSAs vested, of which 312,500 RSUs and RSAs were issued.

Warrants

A summary of outstanding and exercisable warrant activity is as follows:

	Warrants Outstanding Number of Shares	Exercise Price per Share		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share	
Balance at December 31, 2021	3,888,438	$	1.40 – 12.00	5.85 years	$	5.59
Granted	-					
Exercised	(22,000)		1.75			1.75
Cancelled/Forfeited/Expired	(6,800)		2.00			2.00
Balance at December 31, 2022	3,859,638	$	1.40 – 12.00	4.89 years	$	5.60
Granted	967,742		1.24	4.22 years		1.24
Exercised	(96,773)		1.24	4.22 years		1.24
Cancelled/Forfeited/Expired	-					
Balance at December 31, 2023	4,730,607	$	1.24 – 12.00	3.95 years	$	4.81
Exercisable December 31, 2022	3,836,993	$	1.40 – 12.00	4.88 years	$	5.63
Exercisable December 31, 2023	4,730,607	$	1.24 – 12.00	3.95 years	$	4.80

The total fair value of the warrants granted during the year ended December 31, 2023, was $ 895 thousand, which was determined by the Black-Scholes Pricing Model with the following assumptions: dividend yield of 0 %, expected term of 4 years, volatility of 122.6 % and risk-free rate of 3.73 %. No stock-based compensation expense on the warrants granted during the year ended December 31, 2023 was recorded as the warrants are amortized through debt discount (see Note 7). As noted above, on November 15, 2023, Avenue exercised 96,773 of the Avenue Warrants on a cashless basis, resulting in 79,330 shares of the Company's common stock issued.

Total compensation expense for warrants granted prior to the year ended December 31, 2023 was $ 18 thousand and $ 1.6 million for the years ended December 31, 2023 and 2022, respectively, with no unamortized expense remaining as of December 31, 2023. As of December 31, 2023, aggregate intrinsic value of vested warrants outstanding was $ 18.4 million.

Stock-based Compensation

During the year ended December 31, 2023, 1,010,000 RSUs and RSAs and 1,022,000 service-based stock options were cancelled and replaced with 2,388,750 RSAs for four executives and eight employees. Incremental compensation cost resulting from the modifications was immaterial to the consolidated financial statements for the year ended December 31, 2023.

The total stock-based compensation expense related to common stock issued for services, service-based stock options, performance-based stock options, warrants, RSUs and RSAs amounted to $ 12.5 million and $ 13.7 million for the years ended December 31, 2023 and 2022, respectively. Such amounts are included in general and administrative expenses in the consolidated statement of operations. Unamortized expense remaining related to service-based stock options, performance-based stock options, warrants, RSUs and RSAs was $ 8.2 million as of December 31, 2023, which is expected to be recognized through 2026.

NOTE 9 – LEASES

The Company leases office space domestically under operating leases. The Company's headquarters are located in New York, New York for which the lease expires in 2025. We operate a marketing and sales center in Huntington Beach, California for which the lease expires in 2024, a patient care center in Greenville, South Carolina for which the lease expires in 2024 and a warehouse and fulfillment center in Columbia, Pennsylvania for which the lease expires in 2024. WorkSimpli leases two office spaces in Puerto Rico for which the leases expire in 2024.

The following is a summary of the Company's operating right-of-use assets and operating lease liabilities as of December 31, 2023:

Operating right-of-use assets	$	594,897
Operating lease liabilities - current	$	603,180
Operating lease liabilities - noncurrent	$	73,849

Total accumulated amortization of the Company's operating right-of-use assets was $ 2.1 million as of December 31, 2023.

The table below reconciles the undiscounted future minimum lease payments under the above noted operating leases to the total operating lease liabilities recognized on the consolidated balance sheet as of December 31, 2023:

Fiscal year 2024	$	628,813
Fiscal year 2025		68,850
Less: imputed interest		(20,634)
Present value of operating lease liabilities	$	677,029

Operating lease expenses were $ 861 thousand and $ 871 thousand for the years ended December 31, 2023 and 2022, respectively, and were included in other operating expenses in our consolidated statement of operations.

Other information related to operating lease liabilities consisted of the following:

	Year Ended December 31,			
	2023		2022	
Cash paid for operating lease liabilities	$	897,883	$	773,952
Weighted average remaining lease term in years		2.18		2.82
Weighted average discount rate		7.17%		7.15%

We have elected to apply the short-term lease exception to the warehouse space we lease in Lancaster, Pennsylvania. This lease has a term of 12 months and is not recognized on the balance sheet, but rather expensed on a straight-line basis over the lease term. Straight-line lease payments are $ 3 thousand per month. Additionally, Conversion Labs PR utilizes office space in Puerto Rico, which is subleased from Fried LLC, on a month-to-month basis, incurring rental expense of approximately $ 3 thousand per month.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Royalty Agreements

During 2016, Conversion Labs PR entered into a sole and exclusive license, royalty and advisory agreement with Pilaris Laboratories, LLC ("Pilaris") relating to Pilaris' PilarisMax shampoo formulation and conditioner. The term of the agreement will be the life of the US Patent held by Pilaris, ten years . As consideration for granting Conversion Labs PR this license, Pilaris will receive on quarterly basis, 10 % of the net income collected by the licensed products based on the following formula: Net Income = total income – cost of goods sold – advertising and operating expenses directly related to the marketing of the licensed products. As of December 31, 2023 and 2022, approximately $ 5 thousand and $ 138 thousand, respectively, was included in accrued expenses in regard to this agreement. The Company paid Pilaris approximately $ 138 thousand and $ 0 during the years ended December 31, 2023 and 2022, respectively, in regard to this agreement.

During 2018, the Company entered into a license agreement (the "Alphabet Agreement") with M.ALPHABET, LLC ("Alphabet"), pursuant to which Alphabet agreed to license its PURPUREX business which consists of methods and compositions developed by Alphabet for the treatment of purpura, bruising, post-procedural bruising, and traumatic bruising (the "Product Line"). Pursuant to the license granted under the Alphabet Agreement, Conversion Labs PR obtains an exclusive license to incorporate (i) any intellectual property rights related to the Product Line and (ii) all designs, drawings, formulas, chemical compositions and specifications used or useable in the Product Line into one or more products manufactured, sold, and/or distributed by Alphabet for the treatment of purpura, bruising, post-procedural bruising and traumatic bruising and for all other fields of use or purposes (the "Licensed Product(s)"), and to make, have made, advertise, promote, market, sell, import, export, use, offer to sell, and distribute the Licensed Product(s) throughout the world with the exception of China, Hong Kong, Japan, and Australia (the "License"). The Company shall pay Alphabet a royalty equal to 13% of Gross Receipts (as defined in the Agreement) realized from the sales of Licensed Products. No amounts were earned or owed as of December 31, 2023.

Upon execution of the Alphabet Agreement, Alphabet was granted a 10 -year stock option to purchase 20,000 shares of the Company's common stock at an exercise price of $ 2.50 . Further, if Licensed Products have gross receipts of $ 7.5 million in any calendar year, the Company will grant Alphabet an option to purchase 20,000 shares of the Company's common stock at an exercise price of $ 2.50 ; (ii) if Licensed Products have gross receipts of $ 10.0 million in any calendar year, the Company will grant Alphabet an additional option to purchase 20,000 shares of the Company's common stock at an exercise price of $ 2.50 and (iii) if Licensed Products have gross receipts of $ 20.0 million in any calendar year, the Company will grant Alphabet an option to purchase 40,000 shares of the Company's common stock at an exercise price of $ 3.75 . The likelihood of meeting these performance goals for the licensed products are remote and, therefore, the Company has not recognized any compensation.

Purchase Commitments

Many of the Company's vendors require product deposits when a purchase order is placed for goods or fulfillment services related to inventory requirements. The Company's history of product deposits with its inventory vendors, creates an implicit purchase commitment equaling the total expected product acceptance cost in excess of the product deposit. As of December 31, 2023, the Company approximates its implicit purchase commitments to be approximately $ 63 thousand.

Legal Matters

In the normal course of business operations, the Company may become involved in various legal matters. As of December 31, 2023, other than as set forth below, the Company's management does not believe that there are any potential legal matters that could have an adverse effect on the Company's consolidated financial position.

On December 10, 2021, a purported breach of contract, breach of duty of good faith and fair dealing, unjust enrichment, quantum meruit, and fraud lawsuit, captioned *Harborside Advisors LLC v. LifeMD, Inc.* , Case No. 21-cv-10593, was filed in the United States District Court for the Southern District of New York against the Company. The Harborside Complaint alleges, among other things, that the Company breached a Consulting Services Agreement dated as of June 5, 2019, and Harborside was entitled to 1 million shares (*i.e.*, 200,000 shares post 5-for-1 reverse stock split) in the Company if the Conversion Labs Rx business achieved a topline revenue of $ 10 million and an additional 1 million shares (*i.e.*, 200,000 shares post 5-for-1 reverse stock split) for each additional $ 5 million in topline revenue up to a maximum of 5 million shares (*i.e.,* 1,000,000 shares post 5-for-1 reverse stock split). The Complaint further alleges that the Company fraudulently induced Harborside to give up its ownership interest in Conversion Labs Rx and that it was a breach of the duty of good faith and fair dealing and fraudulent for the Company to have dissolved Conversion Labs Rx. Consequently, alleges Harborside, the Company was unjustly enriched, and Harborside is entitled to recover from the Company for quantum meruit. The Harborside Complaint implies between $ 5.0 million and $ 33.0 million in alleged damages related to failure to award the aforementioned stock but only specifically states that "Harborside has incurred damages in excess of $ 75 thousand, with the exact amount to be determined with specificity at trial" for each of the 5 counts. On February 11, 2022, the Company filed a Motion to Dismiss the Harborside Complaint, which Harborside opposed. The Company replied on April 4, 2022 and was awaiting a decision from the Court on whether the case will be fully or partially dismissed. In the meantime, the parties agreed to mediate both cases (*Harborside Advisors LLC v. LifeMD, Inc.* , Case No. 21-cv-10593, and *Specialty Medical Drugstore, LLC D/B/A GoGoMeds v. LifeMD, Inc.*, Case No. 21-cv-10599, noted below) together. On September 22, 2022, as a result of mediation, the parties reached a settlement to resolve the matters in these cases. The Company issued 400,000 shares of common stock during the year ended December 31, 2022 and 100,000 additional shares of common stock on July 10, 2023 related to this settlement. The costs of this settlement are reflected in the Company's financial results.

On December 10, 2021, a purported breach of contract, unjust enrichment, quantum meruit, and account stated lawsuit, captioned *Specialty Medical Drugstore, LLC D/B/A GoGoMeds v. LifeMD, Inc.*, Case No. 21-cv-10599, was filed in the United States District Court for the Southern District of New York against the Company. The GoGoMeds Complaint alleges, among other things, that Conversion Labs Rx breached a Strategic Partnership Agreement (dated May 27, 2019) (the "SPA") by the Company not paying two invoices (#3269 and 3270) totaling $ 274 thousand, and, therefore, "LifeMD has been unjustly enriched in an amount in excess of $ 274 thousand, with the exact amount to be determined with specificity at trial." Further, GoGoMeds alleges that "to the extent that the SPA is inapplicable, GoGoMeds is entitled to recover from LifeMD from quantum meruit" because "GoGoMeds conferred a benefit on LifeMD by fulfilling over 17,000 prescriptions and over the counter drug orders for LifeMD's clients." On February 11, 2022, the Company filed its Answer and Counterclaim to the GoGoMeds Complaint, pleading the affirmative defenses that the claims are barred, in whole or in part: (i) because they fail to state claims upon which relief can be granted; (ii) by breach of contract by plaintiff; (iii) by offset, recoupment, and/or unjust enrichment to plaintiff; (iv) by accord and satisfaction; (v) for failure of condition precedent; (vi) because adequate remedies at law exist; (vii) by failure to mitigate; (viii) by the doctrine of unclean hands; and (ix) by consent ratification, waiver, excuse, and/or estoppel, (x) as well as that attorney fees and costs, as well as special, indirect, incidental, and/or consequential damages are not recoverable. Further, the Company counterclaimed against GoGoMeds for: (a) breach of contract for failing to: (i) provide adequate customer service and related pharmacy services; (ii) charge LifeMD actual costs for prescription and over the counter drugs (including shipping), as was contractually required; and (iii) provide regular reports and allow audits for review to establish adequate service and accurate costs; (b) trade secret misappropriation of the LifeMD Information, Data, and Materials, as defined therein; (c) unjust enrichment of GoGoMeds through its retention of such LifeMD Information, Data, and Materials, and for the benefit of the creation of the GoGoCare telehealth company; (d) conversion by GoGoMeds by exercising unauthorized dominion and control over the LifeMD Information, Data, and Materials; (e) detinue; and (f) an accounting. GoGoMeds' responded to the counterclaims on March 4, 2022 and the parties had commenced fact discovery. In the meantime, the parties agreed to mediate both cases (*Harborside Advisors LLC v. LifeMD, Inc.* , Case No. 21-cv-10593, and *Specialty Medical Drugstore, LLC D/B/A GoGoMeds v. LifeMD, Inc.*, Case No. 21-cv-10599) together. The court granted a 60-day stay in the *Specialty Medical Drugstore, LLC D/B/A GoGoMeds v. LifeMD, Inc.,* Case No. 21-cv-10599, and the parties were amenable in the *Harborside Advisors LLC v. LifeMD, Inc.* , Case No. 21-cv-10593, to the court foregoing any decision on our motion to dismiss until after mediation. On September 22, 2022, as a result of mediation, the parties reached a settlement to resolve the matters in these cases. As noted above, the Company issued 400,000 shares of common stock during the year ended December 31, 2022 and 100,000 additional shares of common stock on July 10, 2023 related to this settlement. The shares issued were valued based on the closing price of the Company's stock, or $ 5.32 , on the date of settlement, July 10, 2023. The costs of this settlement are reflected in the Company's financial results.

On February 28, 2022, a purported breach of contract lawsuit (with six counts of alleged breach, and indemnity reliance concerning reasonable costs and expenses), captioned *William Blair LLC v. LifeMD, Inc.* , Case No. 2022L001978, was filed in the Circuit Court of Cook County, Illinois County Department, Law Division against the Company (the "Blair Complaint"). The Blair Complaint alleges, among other things, that LifeMD breached an engagement letter agreement entered into on January 7, 2021 with Blair that concerned potential debt financing. In particular, Blair alleges that the Company breached its obligations by, *inter alia*: (i) failing to advise Blair of, and ultimately completing, a debt financing transaction with a different investment banking firm on or about June 3, 2021; (ii) reproducing several pages from a Confidential Information Brochure used in the Company's debt financing transaction with a different investment banking firm; (iii) failing to provide Blair with a right of first refusal to be its joint active bookrunning manager for a common stock sales agreement that it executed on or about June 3, 2021, through a different investment banking firm; (iv) failing to provide Blair with a right of first refusal to be its joint active bookrunning manager for a common stock sales agreement that it executed on or about September 28, 2021, through a different investment banking firm (despite the Company having formally terminated the engagement letter with Blair on or about July 16, 2021); (v) failing to provide Blair with a right of first refusal to be its joint active bookrunning manager for a preferred stock offering that it executed on or about September 28, 2021, through two different investment banking firms as bookrunning co-managers (despite the Company having formally terminated the engagement letter with Blair on or about July 16, 2021); and (vi) purchasing a convertible note from a pharmaceutical investor in connection with its acquisition of all outstanding shares of allergy telehealth platform, Cleared. The Blair Complaint seeks damages adequate to compensate Blair for the aforementioned alleged breaches (*i.e.*, which implicitly meets or exceeds the purported $ 1.0 million minimum fee in the engagement letter), as well as reasonable costs and expenses incurred in this action. On May 22, 2022, the Company filed its answer, affirmative defenses, and counterclaim, denying the alleged breaches of its obligations under the engagement letter agreement. Further, the Company asserted the following affirmative defenses: (1) failure to state a claim on which relief can be granted; (2) laches; (3) breach of the engagement letter agreement; (4) unclean hands; (5) failure to mitigate; (6) the doctrines of waiver, accord, and satisfaction, and res judicata; (7) estoppel; and (8) repudiation/anticipatory breach. The Company also counterclaimed for a declaratory judgment that: (i) Plaintiff breached, repudiated and/or anticipatorily breached the engagement letter agreement; (ii) as a result, the Company was not bound by the terms of the engagement letter agreement from that time forward; (iii) Plaintiff is not owed any amounts under the engagement letter agreement; and (iv) and an award to the Company of any further relief that the Court deems just and proper.

The Court conducted virtual case management conferences on June 30, 2022 and August 3, 2022, and fact discovery (i.e., written discovery requests and responses) commenced thereafter. On August 29, 2022, the plaintiff subpoenaed B. Riley Financial, Inc. for documents. The Court subsequently held several case management and status conferences, beginning in October 2022 and continuing through March 2023. On April 5, 2023, the court granted the plaintiff's motion to compel certain discovery and ordered the Company to conduct certain additional searches for documents and to produce responsive documents by April 26, 2023, which the Company did in compliance with the order. A further case management conference was held on May 17, 2023. In June 2023, the parties attended a mediation resulting in a settlement that fully resolved the matters in this case. The costs of this settlement are reflected in the Company's financial results.

On September 5, 2023, the Internal Revenue Service (the "IRS") issued a notice of deficiency to the Company in which the IRS asserted an income tax deficiency of approximately $ 1.9 million for the Company's tax year ending December 31, 2019. The Company timely filed a petition in the United States Tax Court disputing all of the proposed tax deficiency. The case remains in its earliest stages. The Company should be served with the IRS's answer to the Company's petition in the near future. The Company filed an amended return well before the notice of deficiency was issued that the Company believes will resolve all or substantially all of the issues in the case. The Company intends to vigorously defend this case.

NOTE 11 – RELATED PARTY TRANSACTIONS

Working Capital Loan

In January and February 2023, the Company received proceeds of $ 2 million under a $ 2.5 million loan facility with CRG Financial, maturing on December 15, 2023 . The loan facility includes interest of 12 %. The Company repaid the $ 2 million outstanding loan balance on March 21, 2023 with the proceeds received from the Avenue Facility and recorded a $ 325 thousand loss on debt extinguishment related to the repayment of the CRG Financial loan (see Note 6). As of both December 31, 2023 and 2022, the outstanding balance was $ 0 related to the CRG Financial loan. Mr. Bhatia, a member of the Board of the Company, also serves on the Board of Directors of CRG Financial.

WorkSimpli Software

During the years ended December 31, 2023 and 2022, the Company utilized CloudBoson Technologies Pvt. Ltd. ("CloudBoson"), formerly LegalSubmit Pvt. Ltd., a company owned by WorkSimpli's Chief Software Engineer, to provide software development services. The Company paid CloudBoson a total of $ 2.5 million and $ 1.5 million during the years ended December 31, 2023 and 2022, respectively, for these services. The Company owed CloudBoson $ 226 thousand as of December 31, 2023. There were no amounts owed to CloudBoson as of December 31, 2022.

Director Consulting Agreements

On May 30, 2023, Will Febbo, a member of the Board of the Company, entered into a consulting services agreement with the Company, pursuant to which he provides certain investor relations and strategic business development services, in consideration for 375,000 restricted shares of the Company's common stock, which will vest in quarterly installments from August 30, 2023 through November 30, 2024. The Company issued 62,500 restricted shares of common stock related to this agreement during the year ended December 31, 2023.

On June 14, 2023, Robert Jindal, a member of the Board of the Company, entered into a consulting services agreement with the Company, pursuant to which Mr. Jindal provides certain investor relations and strategic business development services, in consideration for 225,000 restricted shares of the Company's common stock, which will vest in six-month installments from June 14, 2023 through December 31, 2024. The Company issued 112,50 0 restricted shares of common stock related to this agreement during the year ended December 31, 2023.

On June 14, 2023, Naveen Bhatia, a member of the Board of the Company, entered into a consulting services agreement with the Company, pursuant to which Mr. Bhatia provides certain investor relations and strategic business development services, in consideration for 225,000 restricted shares of the Company's common stock, which will vest in six-month installments from June 14, 2023 through December 31, 2024. The Company issued 112,500 restricted shares of common stock related to this agreement during the year ended December 31, 2023.

NOTE 12 – INCOME TAXES

As of December 31, 2023, the Company has approximately $ 100.8 million of operating loss carryforwards for federal income tax reporting purposes that may be applied against future taxable income. All remaining net operating loss carryforwards were generated after 2017 and can be carried forward indefinitely. The net operating loss carryforwards could be subject to limitation in any given year in the event of a change in ownership as defined by Internal Revenue Code Section 382.

The valuation allowance overall increased by approximately $ 5.4 million and $ 11.8 million during the years ended December 31, 2023 and 2022, respectively. The Company has fully reserved the deferred tax asset resulting from available net operating loss carryforwards.

The income tax provision charged to continuing operations for the years ended December 31, 2023 and 2022 was as follows:

	December 31,	
	2023	2022
Current:		
U.S. federal	$ -	$ -
State and local	111,000	6,700
Foreign	317,000	-
	428,000	6,700
Deferred:		
U.S. federal	1,470,000	1,719,000
State and local	(1,470,000)	(1,365,000)
Foreign	-	-
	-	354,000
Provision for income taxes	$ 428,000	$ 360,700

The provision for income taxes differs from the expected amount of income tax expense (benefit) determined by applying a combined U.S. federal and state (Puerto Rico) income tax rate of 25% to pretax income (loss) for the years ended December 31, 2023 and 2022 as follows:

	December 31,	
	2023	2022
Computed "expected" tax expense (benefit)	$ (1,951,000)	$ (9,474,000)
Increase (decrease) in income taxes resulting from:		
State taxes	(440,000)	(714,000)
Permanent differences	71,000	730,000
Apportionment of Puerto Rico income	(133,000)	(108,000)
Nondeductible expenses	-	-
GILTI, net of 250 deduction	1,855,000	-
Dividends received deduction	(1,224,000)	-
Change in valuation allowance	4,327,000	9,973,000
Rate differential	(2,125,000)	-
Other	48,000	(46,300)
Provision for income taxes	$ 428,000	$ 360,700

Net deferred tax liabilities consist of the following components as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
Deferred tax liability:		
Other	$ -	$ -
	-	-
Deferred tax assets:		
Stock-based compensation	15,100,000	11,646,000

Sec 174 – software development	298,000	142,000
Temporary differences	2,465,000	2,389,000
Net operating loss carryforwards	23,057,000	21,382,000
	40,920,000	35,559,000
Less valuation allowance	(40,920,000)	(35,559,000)
	$ -	$ -

NOTE 13 – SEGMENT DATA

Our portfolio of brands are included within two operating segments: Telehealth and WorkSimpli. We believe our current segments and brands within our segments complement one another and position us well for future growth. Relevant segment data for the years ended December 31, 2023 and 2022 is as follows:

	Year Ended December 31,	
	2023	2022
Telehealth		
Revenue	$ 98,152,919	$ 82,649,845
Gross margin	82.2%	78.4%
Operating loss	$ 25,261,021	$ 45,918,588
Total assets	$ 48,126,006	$ 18,163,464
WorkSimpli		
Revenue	$ 54,394,087	$ 36,383,675
Gross margin	97.4%	97.7%
Operating income	$ (10,771,748)	$ (2,470,807)
Total assets	$ 10,354,703	$ 7,502,389
Consolidated		
Revenue	$ 152,547,006	$ 119,033,520
Gross margin	87.06%	84.3%
Operating loss	$ 14,489,273	$ 43,447,781
Total assets	$ 58,480,709	$ 25,665,853

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these consolidated financial statements were issued and has identified the following:

Stock Issued for Service

In January 2024, the Company issued 737,125 shares of common stock related to vested RSUs and RSAs with a total fair value of $ 3.3 million.

Stock Issued for Noncontingent Consideration Payment

On January 16, 2024, the Company issued 95,821 shares of common stock related to the fifth of five quarterly installment payments due to the sellers of Cleared under the Cleared First Amendment.

Exhibit 10.110

March 9, 2024

Brad Michael Roberts
[redacted]

Re: Separation Agreement

Dear Brad:

This letter sets forth the substance of the separation agreement (the "***Agreement***") which LifeMD, Inc. (the "***Company***") is offering to you (the "***Employee***") to aid in your employment transition. This Agreement will become effective on the date it has been signed by both parties (the "***Effective Date***").

1. **Separation.** You and the Company have mutually agreed to separate your employment and agree that your last day of work with the Company and your employment termination date will be March 8, 2024 (the "***Separation Date***"), which shall also constitute the termination date of the Employment Agreement, as defined in Section 6, below. Thereafter you will be engaged as an independent contractor to perform the advisory services described in Section 3, below. The Company will announce your transition from employee to independent contractor in its SEC Form 10-K scheduled for filing on March 11, 2024, in language to be mutually agreed in advance, subject to requirements under applicable law. Neither the Company nor you will make any other announcement regarding your transition except as consistent with the language that appears in the 10-K or as otherwise required under applicable law, including but not limited to proxy regulations. The Company further agrees to remove all references to you from its website and other marketing and promotional materials.

2. **Accrued Salary.** By the next regular payroll date following the Separation Date, the Company will pay you all accrued salary earned through the Separation Date, subject to standard payroll deductions and withholdings. You will receive this payment regardless of whether or not you sign this Agreement. You acknowledge that the Company maintains a non-accrual vacation policy and that you have no accrued but unused vacation time to be paid out upon separation of employment.

3. **Transition Services Payments.** In consideration of your timely execution of this Agreement and full compliance with your continuing obligations to the Company hereunder including your agreement to provide transition advisory services as detailed below, the Company will provide you with a transition service fee of $40,277 a month to be reportable on a Form 1099, and not as employee wages, for a period of eighteen (18) months following the Separation Date (the "***Transition Service Fee***"). The Transition Service Fee payments will be made within ten (10) days after the first day of each applicable month, beginning on the first such date to occur following the Effective Date. In exchange for the Transition Service Fee, the Company will retain you as an

advisor for eighteen (18) months following the Separation Date (the "***Advisory Period***") during which you agree to provide advisory services as may reasonably be requested at the discretion of the Board of Directors (the "***Board***") or its designee or the Company's CEO. During the Advisory Period you will, upon the Company's CEO's request and, under the direction of an authorized Company representative only, assist with matters relating to the transition of your work and responsibilities on behalf of the Company, including, but not limited to, the transition of any present or prior relationships and the orderly transfer of any such work and institutional knowledge to such authorized representative of the Company and assist such authorized representative with transitioning to administer the Greenville Call Center. During the Advisory Period, you will not be permitted to provide services on behalf of or otherwise hold yourself out as a representative of the Company, unless specifically requested to by an authorized representative of the Company.

4. Additional Payment. In addition, provided you timely execute and do not revoke the updated release of claims attached hereto as **Exhibit A** (the "***Separation Date Release***") no earlier than the Separation Date and no later than twenty-one (21) days after you receive it, then the Company will pay you $125,000, subject to deductions and withholdings and to be paid in a lump sum payment within forty-five (45) days following the "Separation Date Release Effective Date" as defined in the Separation Date Release, provided the Company has received the executed Separation Date Release from you on or before that date.

5. Restricted Shares. With respect to the 600,000 restricted shares that were granted to you pursuant to the Third Amendment of the Employment Agreement (as defined below), 450,000 restricted shares shall be forfeited as of the Effective Date (notwithstanding any provision to the contrary in the Employment Agreement, any amendment to the Employment Agreement or any restricted share agreement). For avoidance of doubt, the Company will permit you to retain the 150,000 restricted shares that vested as of January 1, 2024 (the "***Vested Shares***"), subject to the Clawback Provisions in Section 19 below. The Company will cooperate with you and the transfer agent to remove restrictive legends on the Vested Shares in accordance with the requirements of Rule 144 of the Securities Act of 1933, as amended.

6. Other Compensation or Benefits. You acknowledge that, except as expressly provided in this Agreement, you will not receive any additional compensation, severance, equity or benefits after the Separation Date, including but not limited to under the Amended and Restated Employment Agreement dated December 21, 2020, as amended and restated and all amendments thereto (together, the "***Employment Agreement***") or any equity documents, including without limitation the Restricted Stock Award Agreement dated June 13, 2023 ("***RSA***").

7. Expense Reimbursements. You agree that, within ten (10) days of the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for reasonable business expenses pursuant to its regular business practice and as part of this Agreement

8. Return of Company Property. You agree that by the Separation Date, you will return to the Company all Company documents (and all copies thereof) and other Company property in your possession, direction or control, including, but not limited to, Company files, notes, drawings, records, plans, forecasts, reports, studies, analyses, proposals, agreements, drafts, financial and operational information, research and development information, sales and marketing information, customer lists, prospect information, pipeline reports, sales reports, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computing and electronic devices, mobile telephones, servers), credit cards, entry cards, identification badges and keys; and any materials of any kind which contain or embody any proprietary or confidential information of the Company (and all reproductions or embodiments thereof in whole or in part). You agree that you will make a diligent search to locate any such documents, property and information by the close of business on the Separation Date or as soon as possible thereafter. If you have used any personally owned computer or other electronic device, server, or e-mail system to receive, store, review, prepare or transmit any Company confidential or proprietary data, materials or information, by the Separation Date, you shall provide the Company with a computer-useable copy of such information and then permanently delete and expunge such Company confidential or proprietary information from those systems; and you agree to provide the Company with one-time access, under your direct supervision, to your system as requested to verify that the necessary copying and/or deletion is completed. **Receipt of the benefits described in Sections 3 and 4 of this Agreement is expressly conditioned upon return of all Company property.**

9. Retrieval of Personal Property. Upon a mutually agreeable date, the Company will permit you to retrieve any personal property that may be located at any Company location, either by allowing you to make a supervised visit to the Company's premises outside of regular working hours or by any other method agreed by the parties.

10. Confidential Information and Post-Termination Obligations; IP Assignment. Both during and after your employment you agree to refrain from any unauthorized use or disclosure of the Company's proprietary or confidential information or materials. You acknowledge your continuing post-termination obligations to the Company under Sections 12 and 13 of the Employment Agreement. Confidential information that is also a "trade secret," as defined by law, may be disclosed (A) if it is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, in the event that you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you: (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order. The parties acknowledge and agree that you may have contributed to certain inventions, work product, works of authorship, computer programs, ideas, concepts, development tools, design tools, test methodologies, products, devices, techniques, know-how, algorithms, methods, processes, procedures, improvements, whether or not eligible for or covered by patent, copyright, trademark or trade secret protection, and whether or not reduced to practice, that is within the scope of the Company's business, research or investigations or results or resulted from or is or was suggested by any work performed by you for the Company, whether solely or jointly with others, and whether or not while engaged in performing work for the Company ("***Company IP***"). In connection therewith, you hereby assign, convey and transfer to the Company and its successors and assigns your entire right, title and interest in and to any and all Company IP, including all intellectual property rights related thereto.

11. **Mutual Non-Disparagement.** You agree to refrain from making any disparaging statements about the Company Parties (as defined below) to anyone inside or outside the Company, including, without limitation, the business, products and services, intellectual property, financial standing, future, or employment/compensation/benefit practices of the Company or any of the other Company Parties; provided that you may respond accurately and fully to any request for information if required by legal process or in connection with a governmental investigation. The Company agrees to refrain from making any disparaging statements about you, to anyone inside or outside the Company; provided that the Company may respond accurately and fully to any question, inquiry or request for information when required by legal process, in connection with any of its communications with Government Agencies (as defined below) or other regulatory bodies and the Company may provide such disclosures as are required by the SEC or other regulatory bodies, applicable listing rules or other applicable laws or regulations. The Company's obligations under this Section are limited to the Company's current officers, directors, members of the C-Suite, Presidents, Senior Vice Presidents and Managing Directors as of the date of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall limit your right to voluntarily communicate with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, the Securities and Exchange Commission, other federal government agency or similar state or local agency or to discuss the terms and conditions of your employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act.

12. **Cooperation after Termination.** You agree to provide reasonable cooperation to the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands asserted against it (and, as applicable, its current or former employees, officers, directors or representatives) or other matters arising from events, acts, or failures to act that occurred during the period of your employment by the Company. Such cooperation includes, without limitation, making yourself available to the Company upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse you for reasonable out-of-pocket expenses you incur in connection with any such cooperation (excluding foregone wages) requested by the Company and will make reasonable efforts to accommodate your scheduling needs. You further agree that you will cooperate with the Company in matters relating to the transition of your work and responsibilities on behalf of the Company, as provided in Section 3, above.

13. **Release by the Company.** In exchange for the promises provided by you herein, the Company hereby covenants not to sue, and forever generally and completely releases, acquits and forever discharges you, and your heirs, executors, administrators, assigns, insurers, attorneys and other persons or entities, acting or purporting to act on your behalf of and from any and all claims, liabilities, demands, contentions, actions, causes of action, suits, costs, expenses, attorneys' fees,

damages, indemnities, debts, judgments, levies, executions and obligations of every kind and nature, in law, equity, or otherwise, both known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the execution date of this Agreement, including but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with your employment with the Company or the termination of that employment, including claims for reimbursements, and any and all claims, demands, causes of action, obligations, attorneys' fees, costs, damages, and liabilities of whatever kind or nature, in law or in equity, known or unknown, suspected or unsuspected, which it ever had, now has, or may hereafter claim to have had, which occur on or before the date of its signature to this Agreement and arise out of or are related to your employment with the Company or the termination of that employment, subject to the Clawback Provisions in Section 19 below. The released claims pursuant to this release by the Company include, but are not limited to, claims under any federal, state or local laws, and/or common law claims arising under contract or tort theories.

14. Release by You. In exchange for the payments and other consideration under this Agreement, to which you would not otherwise be entitled, and except as otherwise set forth in this Agreement, you, on behalf of yourself and, to the extent permitted by law, on behalf of your heirs, executors, administrators, assigns, insurers, attorneys and other persons or entities, acting or purporting to act on your behalf (collectively, the "***Employee Parties***"), hereby generally and completely release, acquit and forever discharge the Company, its parents, subsidiaries and affiliates, including but not limited to its affiliated network of medical professional corporations and medical professional associations, and its and their respective officers, directors, principals, members, managers, partners, agents, representatives, employees, attorneys, shareholders, predecessors, successors, assigns, insurers and affiliates whether in their individual, representative, professional or official capacities (the "***Company Parties***") of and from any and all claims, liabilities, demands, contentions, actions, causes of action, suits, costs, expenses, attorneys' fees, damages, indemnities, debts, judgments, levies, executions and obligations of every kind and nature, in law, equity, or otherwise, both known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the execution date of this Agreement, including but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with your employment with the Company or the termination of that employment; claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; claims related to the Employment Agreement, the RSA or any other agreement; claims pursuant to any federal, state or local law, statute, or cause of action; tort law; or contract law (individually a "***Claim***" and collectively "***Claims***"). The Claims you are releasing and waiving in this Agreement include, but are not limited to, any and all Claims that any of the Company Parties:

- has violated its personnel policies, handbooks, contracts of employment, or covenants of good faith and fair dealing;

- has violated law or has discriminated against you on the basis of age, race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, source of income, entitlement to benefits, any union activities or other protected category in violation of any local, state or federal law, constitution, ordinance, or regulation, including but not limited to: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; 42 U.S.C. § 1981, as amended; the Equal Pay Act; the Americans With Disabilities Act; the Genetic Information Nondiscrimination Act; the Family and Medical Leave Act; the South Carolina Human Affairs Law; Sections 37-5-106, 41-1-20, 41-1-30, 41-1-7, 41-1-80, 41-1-85, and 53-1-110 of the South Carolina Code; the Employee Retirement Income Security Act; the Employee Polygraph Protection Act; the Worker Adjustment and Retraining Notification Act; the Older Workers Benefit Protection Act; the anti-retaliation provisions of the Sarbanes-Oxley Act, or any other federal or state law regarding whistleblower retaliation; the Lilly Ledbetter Fair Pay Act; the Uniformed Services Employment and Reemployment Rights Act; the Fair Credit Reporting Act; and the National Labor Relations Act;

- has violated any statute, public policy or common law (including but not limited to Claims for retaliatory discharge; negligent hiring, retention or supervision; defamation; intentional or negligent infliction of emotional distress and/or mental anguish; intentional interference with contract; negligence; medical negligence and/or malpractice; detrimental reliance; loss of consortium to you or any member of your family and/or promissory estoppel).

Notwithstanding the foregoing, other than events expressly contemplated by this Agreement you do not waive or release rights or Claims that may arise from events that occur after the date this waiver is executed; and you are not releasing any right of indemnification you may have for any liabilities arising from your actions within the course and scope of your employment with the Company or within the course and scope of your role as an officer of the Company. Also excluded from this Agreement are any Claims which cannot be waived by law, including, without limitation, any rights you may have under applicable workers' compensation laws and your right, if applicable, to file or participate in an investigative proceeding of any federal, state or local governmental agency. Nothing in this Agreement has prevented, currently prevents, or shall prevent you from filing, cooperating with, or participating in any proceeding or investigation before the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal government agency, or similar state or local agency ("***Government Agencies***"), or exercising any rights pursuant to Section 7 of the National Labor Relations Act. You further understand this Agreement is not intended to and does not limit your ability to voluntarily communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that you are otherwise waiving, to the fullest extent permitted by law, any and all rights you may have to individual relief based on any Claims that you have released and any rights you have waived by signing this Agreement. If any Claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a Claim in which any of the Company Parties is a party. This Agreement does not abrogate your existing rights under any Company benefit plan or any plan or agreement related to equity ownership in the Company; however, it does waive, release and forever discharge Claims existing as of the date you execute this Agreement pursuant to any such plan or agreement.

15. Your Acknowledgments and Affirmations. You acknowledge and agree that (i) the consideration given to you in exchange for the waiver and release in this Agreement is deemed by the Company to be in addition to anything of value to which you were already entitled; (ii) that you have been paid for all time worked, have received all the leave, leaves of absence and leave benefits and protections for which you are eligible; (iii) you have been given sufficient time to consider this Agreement and consult an attorney or advisor of your choosing; and (iv) you are knowingly and voluntarily executing this Agreement waiving and releasing any Claims you may have as of the date you execute it. You affirm that all of the decisions of the Company Parties regarding your pay and benefits through the date of your execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law. You agree that you will not voluntarily (except in response to legal compulsion or as permitted in Section 14 above) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against any of the Company Parties. You acknowledge and affirm that you have not been retaliated against for reporting any allegation of corporate fraud or other wrongdoing by any of the Company Parties, or for exercising any rights protected by law, including any rights protected by the Fair Labor Standards Act, the Family Medical Leave Act or any related statute or local leave or disability accommodation laws, or any applicable state workers' compensation law.

16. No Admission. This Agreement does not constitute an admission by the Company or you of any wrongful action or violation of any federal, state, or local statute, or common law rights, including those relating to the provisions of any law or statute concerning employment actions, or of any other possible or claimed violation of law or rights.

17. Breach. You agree that upon the issuance of a final judgment from a court of competent jurisdiction enforcing an arbitration award determining that you have breached this Agreement, you will forfeit all amounts paid or owing to you under this Agreement, and you will be required to pay any such additional amounts as may be determined in the arbitration award. Further, you acknowledge that it may be impossible to assess the damages caused by your violation of the terms of Section 10 of this Agreement and further agree that any threatened or actual violation or breach of that Section 10 of this Agreement will constitute immediate and irreparable injury to the Company. You therefore agree that any such breach of this Agreement would be a material breach of this Agreement, and, in addition to any and all other damages and remedies available to the Company as determined by a final judgment from a court of competent jurisdiction enforcing an arbitration award (or court in the event of an injunction), upon your breach of this Agreement, the Company shall be entitled to an injunction to prevent you from violating or breaching this Agreement, and you further agree that a $1,000.00 bond shall be sufficient if such a bond is required for the injunction. You agree that the party who is unsuccessful in whole or part in any legal or equitable action or arbitration under this Agreement, will pay the other party all of the costs, including reasonable attorneys' fees, incurred by that party in connection therewith.

18. Tax Provisions. All payments and benefits under this Agreement will be subject to applicable withholding for federal, state, foreign, provincial and local taxes. It is intended that all of the benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, an exemption from the application of Section 409A of the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder ("***Section 409A***") and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement will be construed in a manner that complies with Section 409A, and any ambiguities herein shall be interpreted accordingly. Specifically, the payments under Sections 3 and 4 of this Agreement are intended to satisfy the exemptions from application of Section 409A provided under Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9) and each installment of payments, if any, is a separate "payment" for purposes of Treasury Regulations Section 1.409A-2(b)(2)(i). However, if such exemptions are not available and you are, as of your "separation from service," as such term is defined in Treasury Regulations Section 1.409A-1(h) ("***Separation from Service***"), a "specified employee" for purposes of Section 409A, then, solely to the extent necessary to avoid adverse personal tax consequences under Section 409A, the timing of the payments under Sections 3 and 4 shall be delayed until the earlier of (i) six months and one day after your Separation from Service, or (ii) your death. The payments under Sections 3 and 4 shall not commence until you have a Separation from Service.

The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to you under Section 3, and you agree and understand that you are responsible for payment, if any, of local, state, and/or federal taxes on the Transition Service Fee and any penalties or assessments thereon. You further agree to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any Government Agencies against the Company for any amounts claimed due on account of your failure to pay, or delayed payment on any such taxes.

19. Clawback Provisions. The Vested Shares and other incentive-based compensation received and the benefits provided to you under this Agreement (including foregoing your repayment of certain expenses), will be subject to recoupment or immediate forfeiture to the Company: (1) in accordance with applicable law or listing requirements, including pursuant to the Company's Clawback policy, as it may be amended from time to time, and the requirements of Section 304 of the Sarbanes-Oxley Act of 2002; and/or (2) upon a final judgment from a court of competent jurisdiction enforcing an arbitration award or a written determination by an applicable Government Agency that you engaged in conduct that constituted a material breach of your continuing obligations to the Company under this Agreement or that you engaged in conduct, after the Separation Date, that violates applicable law (either (1) or (2) , a "***Clawback Event***").

For clarity: (a) no Clawback claim may be asserted for any conduct that is alleged to have occurred prior to the Effective Date of this Agreement; and (b) amounts subject to recoupment or cancellation pursuant to a Clawback Event will be computed net of any taxes withheld by the Company except as otherwise required by applicable law, and the Board or authorized committee thereof may determine in its sole discretion, the appropriate method for recouping or cancelling amounts.

Notwithstanding any indemnification agreement, applicable insurance policy or any other agreement or provision of the Company's certificate of incorporation or bylaws to the contrary, you shall not be entitled to indemnification or advancement of expenses in connection with any enforcement of this Section 19 by the Company, but subject to the fee shifting provision in Section 17 herein.

20. Miscellaneous. This Agreement, including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to this subject matter, and supersedes all prior agreements between the parties, including without limitation the Employment Agreement, (except with respect to the provisions of Sections 12 and 13 of the Employment Agreement that survive as set forth in Section 10 above). This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, in a manner that causes the Agreement to fail of its essential purpose, such determination will not affect any other provision of this Agreement and the provision in question will be modified by the court so as to be rendered enforceable. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement shall be in writing and shall not be deemed to be a waiver of any successive breach. This Agreement may be executed in counterparts and electronic or facsimile signatures will suffice as original signatures.

21. Notice. All notices required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given and received (a) when personally delivered, or delivered by same-day courier; or (b) on the third business day after mailing by registered or certified mail, postage prepaid, return receipt requested; or (c) upon delivery when sent by prepaid overnight express delivery service (e.g., FedEx, UPS); or (d) when sent by email or facsimile and upon the receipt by the sending party of written confirmation by the receiving party in any case addressed to either party, and in the case of the Company, to the CEO, at its normal business or residential address, which address may be updated by either party in writing from time to time. The parties agree to provide courtesy copies of any notice required or permitted to be given under this Agreement to their counsel of record. In the case of notice to you:

Brad Michael Roberts
[redacted]

With a courtesy copy to:

Robert Piliero
PILIERO & ASSOCIATES PLLC
444 Madison Avenue Fourth Floor
New York, NY 10022

In the case of notice to the Company:

Justin Schreiber
Chief Executive Officer & Chairman of the Board
LifeMD
236 Fifth Avenue, Suite 400
New York, NY 10001

With a courtesy copy to:

Helenanne (Helen) Connolly
Cooley LLP
One Freedom Square
Reston Town Center
11951 Freedom Drive
Reston, VA 20190-5656

[signatures to follow on next page]

Sincerely,

LifeMD, Inc.

By: */s/ Justin Schreiber*
Justin Schreiber
Chief Executive Officer & Chairman of the Board

Agreed to and Accepted:

/s/ Brad Roberts
Brad Roberts

March 9, 2024
Date

Exhibit A – Separation Date Release

EXHIBIT A

SEPARATION DATE RELEASE

(To be signed and returned to the Company no earlier than the Separation Date and no later than twenty-one (21) days after receipt)

LifeMD, Inc. (the "***Company***") and Brad Roberts (the "***Employee***") entered into a Separation Agreement dated March 9, 2024 (the "***Agreement***"). The parties to that Agreement hereby further agree as follows:

1. A blank copy of this Separation Date Release ("***Separation Date Release***") was attached to the Agreement as Exhibit A and the parties agree that it is part of the Agreement.

2. In consideration of the Additional Payment described in Section 4 of the Agreement, Employee and the Company each hereby extends the release of claims in Sections 13 and 14 of the Agreement to apply to any claims that arose through the date of this Separation Date Release, extends the waivers they made in Sections 13 and 14 of the Agreement to any claims that arose through the end of this Separation Date Release, and extends the representations made in Sections 14 and 15 of the Agreement through the date of this Separation Date Release; provided, however, that such extensions and waivers shall not apply to the Company's or Employee's continuing obligations under this Agreement, including without limitation those undertaken in Section 11 above regarding non-disparagement.

3. Employee also hereby extends the release of claims in Section 14 of the Agreement to any and all Claims under the federal Age Discrimination in Employment Act, as amended ("***ADEA***"). Employee acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA and that the consideration given for this Separation Date Release is in addition to anything of value to which he was already entitled. Employee further acknowledges that he has been advised by this writing, as required by the ADEA, that: (1) this Separation Date Release does not apply to any rights or Claims that arise after the date he signs this Separation Date Release; (2) Employee should consult with an attorney prior to signing this Separation Date Release; (3) Employee has been given twenty-one (21) calendar days to consider this Separation Date Release (although he may choose to voluntarily execute this Separation Date Release earlier, though not earlier than the Separation Date); (4) Employee has seven (7) calendar days following the date he signs this Separation Date Release to revoke it; and (5) this Separation Date Release will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth (8th) calendar day after Employee signs it (the date it becomes effective is the "***Separation Date Release Effective Date***").

4. The parties agree that this Separation Date Release is a part of the Agreement.

UNDERSTOOD, ACCEPTED AND AGREED:

LIFEMD, INC.	**EMPLOYEE**
By: /s/ Justin Schreiber	/s/ Brad Roberts
Justin Schreiber Chief Executive Officer & Chairman of the Board	Brad Roberts
March 9, 2024	March 9, 2024
Date	Date

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Exhibit 21.1

Subsidiaries of LifeMD, Inc.

Subsidiary Name	Jurisdiction of Incorporation
WorkSimpli Software LLC	Puerto Rico
Cleared Technologies, PBC	Delaware
Springbox Technologies LLC	Delaware
Taylor Technologies Inc	Delaware

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of LifeMD, Inc. (the "Company") on Forms S-1 (File Nos 333-255586 and 333-250985), Post-Effective Amendment No. 1 to Form S-1 on Form S-3 (File No. 3333-255586), Post-Effective Amendment No. 1 to Form S-1 on Form S-3 (File No. 333-250985), Form S-3 (File Nos 333-256911 and 333-258143), and Form S-8 (No. 333-276201) of our report dated March 11, 2024, with respect to our audits of the consolidated financial statements of LifeMD, Inc. as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 and our report dated March 11, 2024 with respect to our audit of internal control over financial reporting of LifeMD, Inc. as of December 31, 2023, which reports are included in this Annual Report on Form 10-K of LifeMD, Inc. for the year ended December 31, 2023.

Our report on the effectiveness of internal control over financial reporting expressed an adverse opinion because of the existence of material weaknesses.

/s/ Marcum LLP

Marcum LLP
Marlton, New Jersey
March 11, 2024

Exhibit 31.1

LIFEMD, INC.
CEO CERTIFICATE
PURSUANT TO SECTION 302

I, Justin Schreiber, certify that:

1. I have reviewed this Annual Report on Form 10-K of LifeMD, Inc. for the year ended December 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 11, 2024

By: */s/ Justin Schreiber*
Name: Justin Schreiber
Title: Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

LIFEMD, INC.
CFO CERTIFICATE
PURSUANT TO SECTION 302

I, Marc Benathen, certify that:

1. I have reviewed this Annual Report on Form 10-K of LifeMD, Inc. for the year ended December 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 11, 2024

By: */s/ Marc Benathen*
Name: Marc Benathen
Title: Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

LIFEMD, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of LifeMD, Inc. (the “Company”) for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: March 11, 2024

By: */s/ Justin Schreiber*
Name: Justin Schreiber
Title: Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

LIFEMD, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of LifeMD, Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: March 11, 2024

By: */s/ Marc Benathen*
Name: Marc Benathen
Title: Chief Financial Officer (Principal Financial Officer)

LIFEMD, INC.
INCENTIVE COMPENSATION RECOVERY POLICY

1. **Introduction**.

The Board of Directors of LifeMD, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's compensation philosophy. The Board has therefore adopted this policy, which provides for the recovery of erroneously awarded incentive compensation in the event that the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirements under the federal securities laws , and/or in the event of detrimental conduct by executive officers or other key employees (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), related rules and the listing standards of Nasdaq or any other securities exchange on which the Company's shares are listed in the future.

2. **Administration**.

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee (the "**Committee**"), in which case, all references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

3. **Covered Executives**.

Unless and until the Board determines otherwise, for purposes of this Policy, the term "**Covered Executive**" means a current or former employee who is or was identified by the Company as the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company's subsidiaries or affiliates) who performs similar policy-making functions for the Company. "Policy-making function" excludes policy-making functions that are not significant. "Covered Executives" will include, at minimum, the executive officers identified by the Company pursuant to Item 401(b) of Regulation S-K of the Exchange Act. For the avoidance of doubt, "Covered Executives" will include at least the following Company officers: CEO, President, COO, CFO, CLO, General Counsel, CCO, CTO, CMO, CAO (Accounting), PAO, CIO, CAO (Acquisition).

This Policy covers Incentive Compensation received by a person after beginning service as a Covered Executive and who served as a Covered Executive at any time during the performance period for that Incentive Compensation.

4. **Recovery: Accounting Restatement**.

In the event of an "Accounting Restatement," the Company will recover reasonably promptly any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, including transition periods resulting from a change in the Company's fiscal year as provided in Rule 10D-1 of the Exchange Act. Incentive Compensation is deemed **"received"** in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

(a) Definition of Accounting Restatement.

For the purposes of this Policy, an "**Accounting Restatement**" means the Company is required to prepare an accounting restatement of its financial statements filed with the Securities and Exchange Commission (the "**SEC**") due to the Company's material noncompliance with any financial reporting requirements under the federal securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period).

The determination of the time when the Company is **"required"** to prepare an Accounting Restatement shall be made in accordance with applicable SEC and national securities exchange rules and regulations.

An Accounting Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.

(b) Definition of Incentive Compensation.

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including, for example, bonuses or awards under the Company's short and long-term incentive plans, grants and awards under the Company's equity incentive plans, and contributions of such bonuses or awards to the Company's deferred compensation plans or other employee benefit plans. Incentive Compensation does not include awards which are granted, earned, and vested without regard to attainment of Financial Reporting Measures, such as time-vesting awards, discretionary awards and awards based wholly on subjective standards, strategic measures, or operational measures.

(c) Financial Reporting Measures.

"Financial Reporting Measures" are those that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including non-GAAP financial measures) and any measures derived wholly or in part from such financial measures. For the avoidance of doubt, Financial Reporting Measures include stock price and total shareholder return. A measure need not be presented within the financial statements or included in a filing with the SEC to constitute a Financial Reporting Measure for purposes of this Policy.

(d) Excess Incentive Compensation: Amount Subject to Recovery.

The amount(s) to be recovered from the Covered Executive will be the amount(s) by which the Covered Executive's Incentive Compensation for the relevant period(s) exceeded the amount(s) that the Covered Executive otherwise would have received had such Incentive Compensation been determined based on the restated amounts contained in the Accounting Restatement. All amounts shall be computed without regard to taxes paid.

For Incentive Compensation based on Financial Reporting Measures such as stock price or total shareholder return, where the amount of excess compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the Board will calculate the amount to be reimbursed based on a reasonable estimate of the effect of the Accounting Restatement on such Financial Reporting Measure upon which the Incentive Compensation was received. The Company will maintain documentation of that reasonable estimate and will provide such documentation to the applicable national securities exchange.

(e) Method of Recovery.

The Board will determine, in its sole discretion, the method(s) for recovering reasonably promptly excess Incentive Compensation hereunder. Such methods may include, without limitation:

(i) requiring reimbursement of compensation previously paid;

(ii) forfeiting any compensation contribution made under the Company's deferred compensation plans, as well as any matching amounts and earnings thereon;

(iii) offsetting the recovered amount from any compensation that the Covered Executive may earn or be awarded in the future (including, for the avoidance of doubt, recovering amounts earned or awarded in the future to such individual equal to compensation paid or deferred into tax–qualified plans or plans subject to the Employee Retirement Income Security Act of 1974 (collectively, **"Exempt Plans"**); *provided that,* no such recovery will be made from amounts held in any Exempt Plan of the Company);

(iv) taking any other remedial and recovery action permitted by law, as determined by the Board; or

(v) some combination of the foregoing.

5. <u>Recovery: Detrimental Conduct</u>.

In the event the Board makes a good faith determination that a Covered Executive or other Key Employee has engaged in Detrimental Conduct, then the Company may recover all or a portion of their Incentive Compensation, or benefits in which they have become vested under the terms of the Company's Deferred Compensation Plan.

The term "**Key Employee**" includes a Covered Executive and Managing Directors and SVPs.

The term "**Detrimental Conduct**" means any of the following in relation to the Covered Executive or other Key Employee:

(a) their deliberate and continued failure substantially to perform their duties and responsibilities, which failure has had an adverse effect on the Company;

(b) their knowing and willful violation of any law, government regulation, the Company Code of Conduct or Company policy;

(c) their act of fraud or dishonesty resulting, or intended to result in, their personal enrichment at the expense of the Company; or

(d) their gross misconduct in performance of their duties that results in economic harm to the Company.

6. <u>Procedure</u>

Before the Board determines to seek recovery pursuant to this Policy, it shall provide to the applicable Executive Officer(s) written notice and the opportunity to be heard at a meeting of the Board (which may be in person or telephonic as determined by the Board).

If the Board determines to seek a recovery pursuant to this Policy, it shall make a written demand of repayment from the Executive Officer and, if the Executive Officer does not within a reasonable time tender repayment in response to such demand, and the Board determines that the Executive Officer is not likely to do so, the Board may seek a court order against the Executive Officer for such repayment.

7. Policy Not In Limitation

The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims available to the Company. This Policy shall in no way be construed or interpreted as limiting the Company's legal rights or ability to recover compensation for these or other actions or events based on the conduct of an Executive Officer. Remedies provided in this Policy are not exclusive and shall be considered and applied separately as determined by the Board in its sole discretion.

This Policy will be applied in accordance with applicable laws, rules and regulations and will also require (and will not be deemed to limit) the forfeiture and/or recoupment of any compensation as mandated by applicable laws, rules, and regulations, even if not expressly otherwise required herein.

The adoption of this Policy does not mitigate the effect of any forfeiture, recoupment or similar terms in any compensation plan, equity award agreement, change in control agreement, employment agreement or similar arrangement in effect prior to or after the date this Policy was adopted. In the event of any inconsistency between this Policy and the terms of any such compensation arrangement, then the Board shall have full discretion to apply the conditions of either this Policy or such compensation arrangement.

8. No Indemnification or Advance.

Subject to applicable law, the Company shall not indemnify, including by paying or reimbursing for premiums for any insurance policy covering any potential losses, any Covered Executives against the loss of any erroneously awarded Incentive Compensation, nor shall the Company advance any costs or expenses to any Covered Executives in connection with any action to recover excess Incentive Compensation.

9. Interpretation.

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or any national securities exchange on which the Company's securities are listed.

10. Effective Date.

The effective date of this Policy is October 12, 2023 (the "**Effective Date**"). This Policy applies to Incentive Compensation received by Covered Executives on or after the Effective Date that results from attainment of a Financial Reporting Measure based on or derived from financial information for any fiscal period ending on or after the Effective Date. Without limiting the scope or effectiveness of this Policy, Incentive Compensation granted or received by Covered Executives prior to the Effective Date remains subject to any prior, applicable Company policy or procedure. In addition, this Policy is intended to be and will be incorporated as an essential term and condition of any Incentive Compensation agreement, plan, or program that the Company establishes or maintains on or after the Effective Date.

11. Amendment and Termination.

The Board may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary to reflect changes in regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by Nasdaq or any other securities exchange on which the Company's shares are listed in the future.

12. Other Recovery Rights.

The Board intends that this Policy will be applied to the fullest extent of the law. Upon receipt of this Policy, each Covered Executive is required to complete the Receipt and Acknowledgement attached as Schedule A to this Policy. The Board may require that any employment agreement or similar agreement relating to Incentive Compensation received on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any (i) other remedies or rights of compensation recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, or similar agreement relating to Incentive Compensation, unless any such agreement expressly prohibits such right of recovery, and (ii) any other legal remedies available to the Company. The provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

13. Impracticability.

The Company shall recover any excess Incentive Compensation in accordance with this Policy, except to the extent that certain conditions are met and the Board has determined that such recovery would be impracticable, all in accordance with Rule 10D-1 of the Exchange Act and Nasdaq or any other securities exchange on which the Company's shares are listed in the future.

14. Successors.

This Policy shall be binding upon and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators, or other legal representatives.

Schedule A

INCENTIVE-BASED COMPENSATION CLAWBACK POLICY RECEIPT AND ACKNOWLEDGEMENT

I, ____, hereby acknowledge that I have received and read a copy of the Incentive Compensation Recovery Policy. As a condition of my receipt of any Incentive Compensation as defined in the Policy, I hereby agree to the terms of the Policy. I further agree that if recovery of excess Incentive Compensation is required pursuant to the Policy, the Company shall, to the fullest extent permitted by governing laws, require such recovery from me up to the amount by which the Incentive Compensation received by me, and amounts paid or payable pursuant or with respect thereto, constituted excess Incentive Compensation. If any such reimbursement, reduction, cancelation, forfeiture, repurchase, recoupment, offset against future grants or awards and/or other method of recovery does not fully satisfy the amount due, I agree to immediately pay the remaining unpaid balance to the Company.

_____________________________________ _____________________________________
Signature Date