



**PD-Rx**  
**PHARMACEUTICALS**  
I N C O R P O R A T E D<sup>®</sup>



# 2009 Annual Report

December 14, 2009

To Our Shareholders,

The global economic recession that created the most difficult business environment since the late 1920's made fiscal 2009 a challenging year for PD-Rx Pharmaceuticals. But thanks to our financial strength, prudent approach to business opportunity and the strong work ethic of all our employees, we responded to the changing economic environment in a strong and successful way. Fiscal 2009 was also a year in which the company made important progress in key areas of product development and technology innovation that position us for strong growth in the years ahead.

The recession had a major impact on many in our industry, unfortunately some competitors did not survive, and as a result PD-Rx Pharmaceuticals is now one of the oldest and strongest pharmaceutical repackagers in operation having been in business for over 23 years. The past several years have been productive years and management has taken advantage of this by decreasing our debt structure, investing in software and hardware that is more productive for both our customers and employees and finally making strategic initiatives that have significant future revenue opportunities.

As a result of these activities, we have a new user interface for our dispensing clinics that is built with the latest internet technologies and simply operates through an internet browser. We have acquired an electronic medical record and will be interfacing it with our dispensing software shortly. Additionally, our electronic prescribing model is in the production phase. It too will be interfaced with the dispensing software and electronic medical record. Our physician clients have indicated an interest in a practice management software with off-site billing features and we have responded with a suite of software products and services that will operate under the Acuity Health™ division of PD-Rx Pharmaceuticals.

Our TriMarc Laboratories division has been active as well and has several new product offerings. One of these new items is called Osteo-Poretical™ and we are very excited to make this introduction into the marketplace. Osteo-Poretical™ offers and simplifies the approach to preventing Osteoporosis, by delivering the most Vitamin D in any combination Calcium with Vitamin D3 on the market. When taken as directed, this supplement provides the Institute of Medicine's Tolerable Upper Intake Level (UL) of 2,000 IU per day of Vitamin D3 as described by the National Institutes of Health Office of Dietary Supplements Dietary Fact Sheet for Vitamin D3. Listed within this report you will find the balance of the new line items offered by TriMarc Labs.

Although the economic climate is likely to remain challenging in fiscal 2010, our opportunities are greater than ever. We believe PD-Rx Pharmaceuticals is in a great position to lead the way.

On the following page you will find a press release related to our yearend financial performance. In the accompanying pages you will find information regarding the financial health of the company.

I would like to express my sincere appreciation for your support, as we both look to the future with continued growth in mind.

Sincerely,

Robert D. Holsey, D.Ph., D.O.  
President and Chief Executive Officer



PRESS RELEASE

For Further Information, Contact:

**For Immediate Use**

**Jack L. McCall, EVP & COO**

Ph. 405-942-3040 / jlm@pdrx.com

## PD-Rx Pharmaceuticals, Inc. Reports Earnings for 2009

OKLAHOMA CITY, OK, November 12, 2009 - PD-Rx Pharmaceuticals, Inc., a publicly held corporation, (Symbol: PDRX.PK) today announced earning for the fiscal year ending June 30<sup>th</sup>, 2009. PD-Rx set record sales of \$26.9 million over last year's sales figures of \$26.4 million, reporting a net increase in sales of \$493,230. Net profits increased by 22.6% in 2009 to \$912,952 up from \$706,434 in 2008. Total assets in 2009 increased by 11.7% to \$6,379,890 up from \$5,628,778 in 2008. While total liabilities in 2009 decreased to \$1,349,647 from \$1,511,487 in 2008.

Stockholders equity increased to \$5,030,243 in 2009 up from \$4,117,291 in 2008. Earnings per share for fiscal year 2009 was \$0.53 per common share (basic) and \$0.52 per common share fully diluted compared to \$0.42 and \$0.40 per share respectively in 2008.

### ABOUT THE COMPANY:

PD-Rx offers pharmaceutical and management strategies to the healthcare industry. Our management strategies focus on new products, solid business partners, and the specialized segment of the pharmaceutical industry. As a licensed FDA manufacturer and packager, PD-Rx offers a full spectrum of medications and specialized services. Our goal is to develop a matrix of cost containment tools and products that we can merge into any healthcare network to enhance patient care and improve managed care organizations bottom line. We provide proprietary products and prepackaged medications that are viewed by patient, insurance payers and healthcare providers as a progressive and responsive practice.

This press release contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties or other factors, which may cause actual results, performance or achievements expressed or implied by such forward-looking statements to vary from those forecast or implied in this release. Factors that might cause such a difference include, without limitation, decline in demand for the company's products or services, and the effect of general economic conditions and factors affecting the industry.

## **Corporate Overview**



PD-Rx/TriMarc is a publicly traded corporation (Symbol: PDRX.PK) that is audited each year by one of the top-auditing firms in the country. The company maintains its own accounting and controller staff, along with Regulatory Affairs experts, Chief Pharmacist of Operations, Staffed Physician, FDA & DEA Compliance Officers, Quality Assurance Teams and Quality Control Production Teams. We maintain over 173 checks and balances in each production run, to make sure we provide the best quality products on the market.

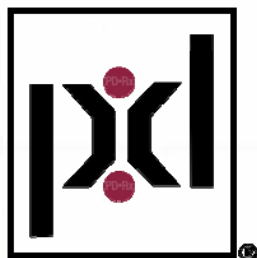
Representing PD-Rx/TriMarc is team of over 25 sales experts throughout the United States, where PD-Rx maintains all 50 state boards of pharmacy and controlled substance distribution licenses. PD-Rx/TriMarc maintains a liability insurance policy of 1 Million in general coverage and a 2 Million-Dollar Umbrella Policy as additional insurance over and above the original manufacturer's liability coverage. The Board of Directors brings with them over 100 years of experience in pharmaceuticals practice and/or business relations. PD-Rx was original incorporated on September 1986 in the State of Oklahoma, and on April 24, 1987, PD-Rx merged with Buckingham Venture Corp and re-incorporated in the State of Colorado, where they raised additional funds through a public offering and continued to raise additional capital for the next several years. PD-Rx Pharmaceuticals re-incorporated back into the State of Oklahoma on December 26<sup>th</sup>, 1990.

## **State of the Art Facility**

PD-Rx/TriMarc owns and operation a production and warehouse facility consisting of 27,600 square feet. The production facility has 4 separate clean rooms each with their own controlled environment. We provide 24 hour monitoring of relative humidity and temperature in our storage areas. Each production room is equipped with a Class 1 Micron Filtration Systems that can filter down to 3.0 Microns. The facility is equipped with a freestanding generator system that is capable of producing over 430 AMP of electricity, enough to power the whole plant without additional electricity from outside sources. The plant has been outfitted with the best security system available, consisting of motion detectors, glass break sensors, keypad entry, roll down steel doors, and internet networked cameras for 24 hours surveillance and security cages and vaults throughout the building. PD-Rx maintains it own staff of computer programmers and IT support staff, necessary to computerized our account on a national scale and maintain the websites and internet portal systems for customer and representatives in the field. In 2009 PD-Rx completed the requirements to be VAWD certified.

## **Quality Production**

The packaging operations at PD-Rx are completely automated with state of the art pharmaceutical repackaging / manufacturing equipment. Our automated production lines start with a bottle orientator and ends with the finished product bar coded and shrunk wrapped into 10 bottle tray packs. FDA guidelines require that a retention sample of each production run be kept on-site and made available to the FDA for inspection. PD-Rx photographs each product from a production runs and stores that photo with each lot number so assigned with every production run for future clarifications. Every production run is given a new lot number that is linked to the retention sample and the original manufacturer and its pedigrees. Of the 4 production rooms, and 4 automated lines, each line is capable of manufacturing 1500-2000 bottles per hour. In addition to 4 semi-automated production areas to handle smaller production runs.



# PD-Rx Pharmaceuticals, Inc.

## BALANCE SHEETS

June 30,

ASSETS	2009	2008
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$2,144,120	\$1,952,845
Accounts receivable (net of allowance for doubtful accounts of \$60,080 in 2009 and \$82,289 in 2008)	1,862,260	1,532,612
Inventories	1,282,776	1,017,371
Deferred income taxes	73,339	73,168
Income taxes receivable	-	200,001
Other	<u>50,146</u>	<u>53,026</u>
Total current assets	5,412,641	4,829,023
PROPERTY AND EQUIPMENT, net	<u>967,249</u>	<u>799,755</u>
	<u>\$6,379,890</u>	<u>\$5,628,778</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 612,980	\$ 680,974
Accrued and other current liabilities	384,959	414,490
Current portion of notes payable	87,563	80,203
Income taxes payable	<u>5,592</u>	<u>-</u>
Total current liabilities	1,091,094	1,175,667
DEFERRED INCOME TAXES	66,118	54,773
LONG-TERM NOTES PAYABLE, less current portion	<u>192,435</u>	<u>281,047</u>
Total liabilities	1,349,647	1,511,487
<b>COMMITMENTS AND CONTINGENCIES (Note F)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$.10 par value; authorized, 10,000,000 shares; issued and outstanding, none	-	-
Common stock - \$.01 par value; authorized, 3,000,000 shares; issued and 2,054,804 shares in 2009 and 2008	20,548	20,548
Additional paid-in capital	1,334,861	1,334,861
Retained earnings	<u>3,750,615</u>	<u>2,837,663</u>
	5,106,024	4,193,072
Less common stock in treasury - at cost; 319,906 shares	<u>75,781</u>	<u>75,781</u>
	<u>5,030,243</u>	<u>4,117,291</u>
	<u>\$6,379,890</u>	<u>\$5,628,778</u>



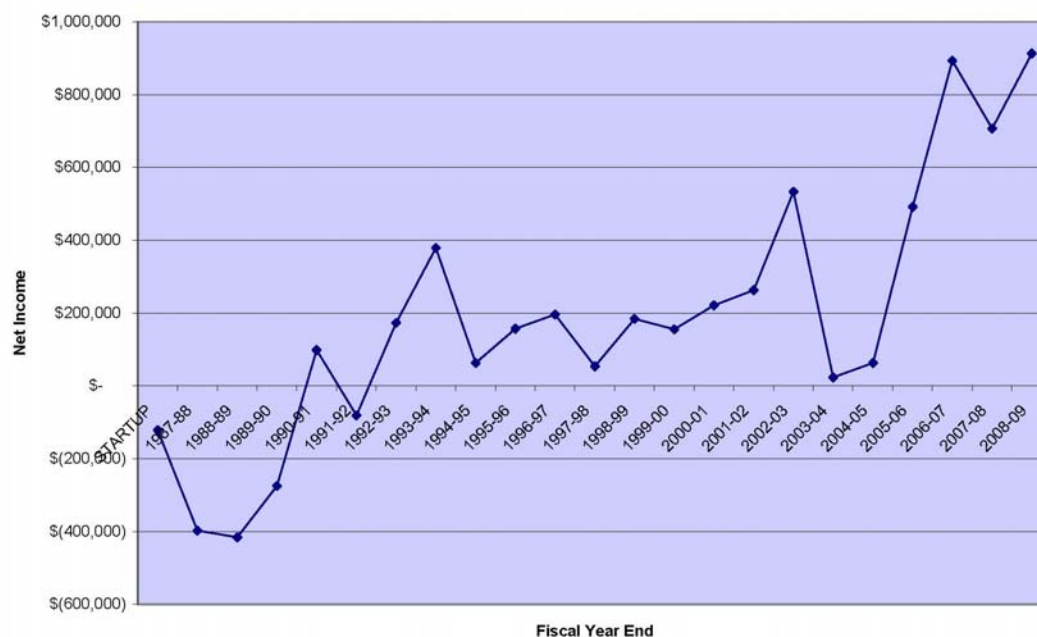
# PD-Rx Pharmaceuticals, Inc.

## STATEMENTS OF EARNINGS

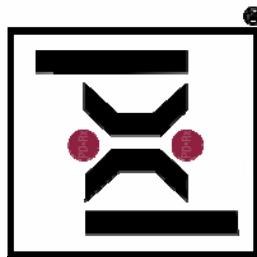
Year ended June 30,

	2009	2008
Net sales	\$26,919,498	\$26,426,268
Cost of sales	<u>20,963,961</u>	<u>21,047,693</u>
Gross profit	5,955,537	5,378,575
Selling, general and administrative expenses	<u>4,481,066</u>	<u>4,284,841</u>
Operating income	1,474,471	1,093,734
Other income (expense)		
Interest income and other	36,409	83,204
Interest expense	<u>(39,159)</u>	<u>(35,143)</u>
Other (expense) income, net	<u>(2,750)</u>	<u>48,061</u>
Earnings before income taxes	1,471,721	1,141,795
Income tax expense	<u>558,769</u>	<u>435,361</u>
NET EARNINGS	\$ <u>912,952</u>	\$ <u>706,434</u>
EARNINGS PER COMMON SHARE - BASIC	\$ <u>.53</u>	\$ <u>.42</u>
EARNINGS PER COMMON SHARE - DILUTED	\$ <u>.52</u>	\$ <u>.40</u>

Net Income Yearly Review







# PD-Rx Pharmaceuticals, Inc.

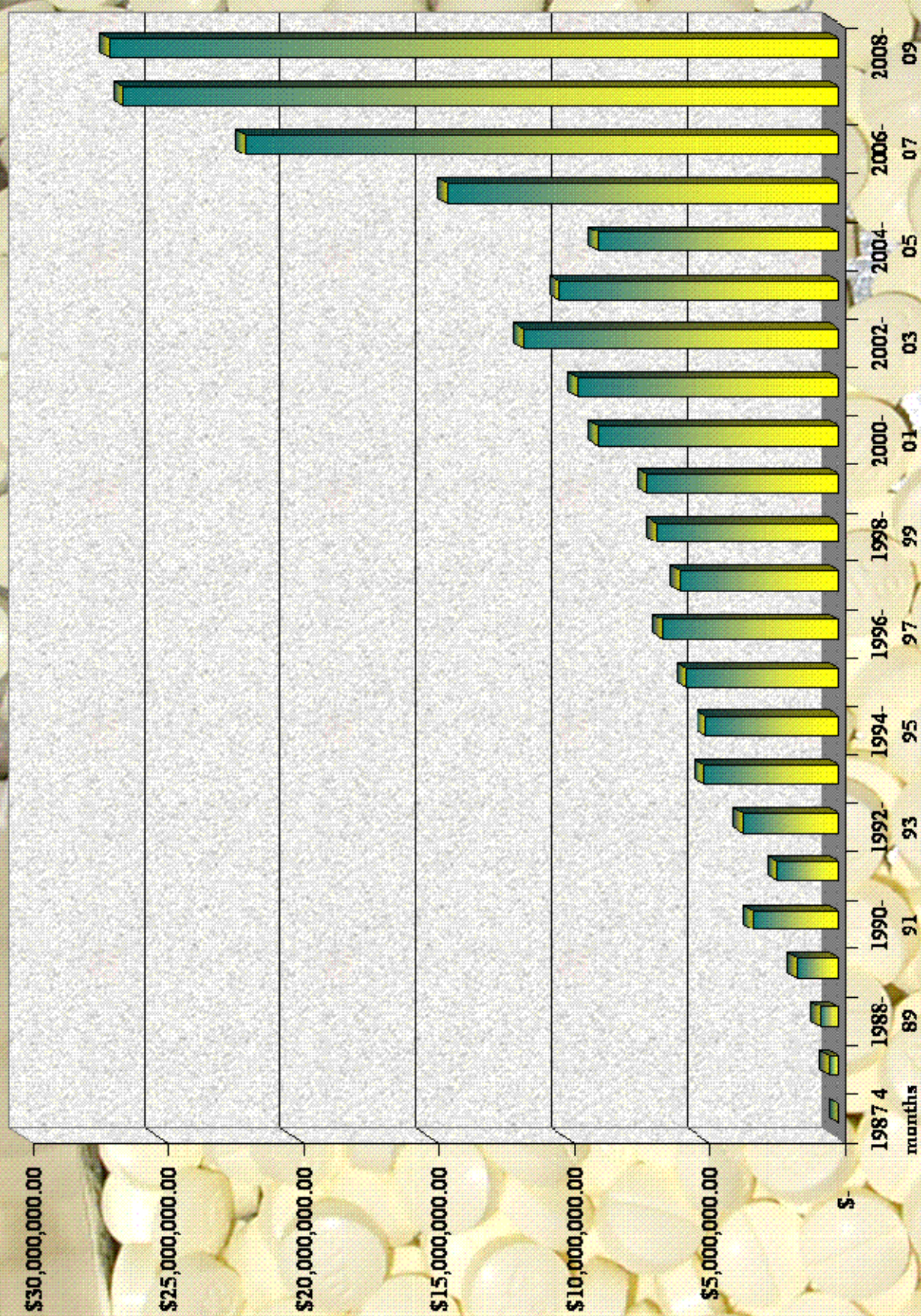
## STATEMENT OF STOCKHOLDERS' EQUITY

Years ended June 30, 2009 and 2008

	Preferred stock 13.25%		Common stock		Additional paid-in-capital	Retained earnings	Common stock in treasury	Total stockholders' equity
	Cumulative Convertible Class A	Cumulative Class C	Shares	Amount				
Balance at July 1, 2007	\$ 1,500	\$ 7,620	1,854,804	\$ 18,548	\$1,362,941	\$2,177,550	\$ (75,781)	\$3,492,378
Class C preferred stock dividend paid	-	-	-	-	-	(10,096)	-	(10,096)
Redemption of class A preferred stock	(1,500)	-	-	-	(13,500)	(17,175)	-	(32,175)
Redemption of class C preferred stock	-	(7,620)	-	-	(68,580)	(19,050)	-	(95,250)
Exercised stock options	-	-	200,000	2,000	48,000	-	-	50,000
Stock based compensation	-	-	-	-	6,000	-	-	6,000
Net earnings	-	-	-	-	-	706,434	-	706,434
Balance at June 30, 2008	-	-	2,054,804	20,548	1,334,861	2,837,663	(75,781)	4,117,291
Net earnings	-	-	-	-	-	912,952	-	912,952
Balance at June 30, 2009	\$ -	\$ -	2,054,804	\$ 20,548	\$1,334,861	\$3,750,615	\$ (75,781)	\$5,030,243



# PD-Rx Annual Sales 2009





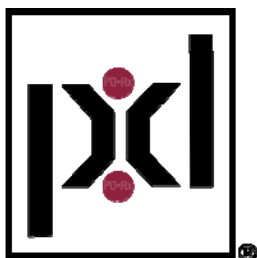


PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2009</u>	<u>2008</u>
Increase (Decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net earnings	\$ 912,952	\$ 706,434
Adjustments to reconcile net earnings to net cash provided by operating activities		
Amortization of note payable discount	13,961	17,804
Provision for deferred income taxes	11,174	(5,477)
Depreciation and amortization	111,863	107,579
(Gain) loss on disposition of property and equipment	3,822	562
Stock based compensation expense	-	6,000
Changes in assets and liabilities		
Accounts receivable, net	(329,648)	(14,316)
Inventories	(265,405)	(333,314)
Income taxes receivable	200,001	(192,132)
Other assets	2,880	(15,904)
Accounts payable	(67,994)	247,294
Accrued and other current liabilities	(29,531)	(78,303)
Income taxes payable	<u>5,592</u>	<u>(240,526)</u>
Net cash provided by operating activities	569,667	205,701
Cash flows from investing activities		
Purchases of property and equipment	(289,679)	(119,471)
Proceeds from sale of property and equipment	<u>6,500</u>	<u>-</u>
Net cash used in investing activities	(283,179)	(119,471)
Cash flows from financing activities		
Principal payments on note payable	(95,213)	(87,309)
Class C preferred stock dividend paid	-	(10,096)
Exercised stock options	-	50,000
Acquisition of common stock for treasury and redemption of Class A and Class C preferred stock	<u>-</u>	<u>(127,425)</u>
Net cash used in financing activities	<u>(95,213)</u>	<u>(174,830)</u>
NET INCREASE (DECREASE) IN CASH AND CASH CASH EQUIVALENTS	191,275	(88,600)
Cash and cash equivalents at beginning of year	<u>1,952,845</u>	<u>2,041,445</u>
Cash and cash equivalents at end of year	<u>\$2,144,120</u>	<u>\$1,952,845</u>
Cash paid during the year for interest	\$ 25,198	\$ 17,339
Cash paid during the year for income taxes, net	<u>\$ 342,000</u>	<u>\$ 873,500</u>



PD-Rx Pharmaceuticals, Inc. - Property and Equipment:

Property and equipment consist of the following at June 30, 2009

	<u>2009</u>	<u>2008</u>
Building and Components	\$755,820	\$671,244
Equipment	\$697,060	\$613,866
Computer Software Costs	\$389,246	\$302,333
Furniture and Fixtures	\$74,160	\$70,485
Automobiles	\$94,964	\$92,723
	<hr/>	<hr/>
	\$2,011,250	\$1,750,651
Less Accumulated Depreciation and Amortization	(\$1,199,761)	(\$1,106,656)
	<hr/>	<hr/>
	\$811,489	\$643,995
Plus Land Value	\$155,760	\$155,760
Total	<u><b>\$967,249</b></u>	<u><b>\$799,755</b></u>



## PD-Rx Pharmaceuticals, Inc. – Notes Payable

Notes Payable consist of the following at June 30, 2009.

<u>Revolving Line of Credit:</u>	\$ -	\$ -
<u>Note Payable to Bank:</u>	\$145,707	\$180,923
Matures April 2013, as amended, payable in monthly installments of \$3,546, including interest at prime Effective rate of 4.00% at June 30, 2009; collateralized by real estate.		
<u>Note Payable to Former Stockholder:</u>	\$134,291	\$180,327
Matures December 2011, non-interest bearing, payable in monthly installments of \$5000. ( Principal balance of \$150,000 less unamortized discount of \$15,709 at June 30, 2009, based on imputed interest rate of 8.75%)		
Subtotal	\$279,998	\$361,250
Less Current Portions	\$87,563	\$80,203
	\$192,435	\$281,047

Aggregate future maturities of notes payable at June 30, 2009 are as follows:

Year Ending June 30	
2010	\$87,563
2011	\$93,681
2012	\$69,723
2013	\$29,031
	\$279,998



## Notes Payable – Continued



The \$750,000 revolving line of credit with a bank matures February 2010. The line of credit is payable in monthly installments of interest only at BOK Financial Corporation National prime (effective rate of 4.00% at June 30, 2009), and is collateralized by inventories, property and equipment, accounts receivable, and general intangibles.

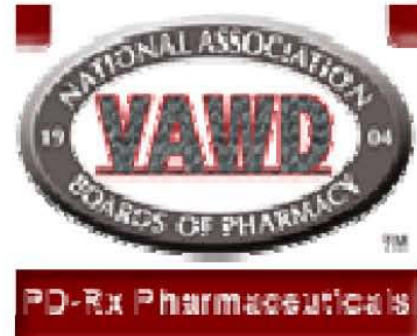
Borrowings under the line are limited to established ratios of accounts receivables and inventories as specified by the terms of the agreement. The revolving line of credit and the note payable to bank are subject to related loan agreements that require the Company, among other things, to maintain a minimum current ratio of 1.4-to-1 and a maximum debt to worth ratio of 2.0-to-1.

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The management of PD-Rx Pharmaceuticals spent a good share of the fiscal year completing the accreditation process to be certified as a “Verified-Accredited Wholesale Distributors” ( VAWD) an accreditation program designed by the National Association Boards of Pharmacy, ( NABP). The VAWD program provides assurance to the industry that we at PD-Rx Pharmaceuticals remains in good standing not only as a distributor and a manufacturer, but as an employer. The News Release is attached below, and similar articles like this one can also be found on our website at [www.pdrx.com](http://www.pdrx.com). As of

December 2009, PD-Rx Pharmaceuticals, Inc. is the only VAWD certified wholesaler in the state of Oklahoma.



**News Release  
PD-Rx Pharmaceuticals, Inc.**

**September 17, 2009**

**The National Association of Boards of Pharmacy® (NABP®) has approved PD-Rx Pharmaceuticals, Inc. of Oklahoma City, Oklahoma in its Verified-Accredited Wholesale Distributors® (VAWD®) program effective September 3, 2009. The VAWD program provides assurance that wholesale distributor operate legitimately, remain licensed in good standing, provides employment security and assure the public of safe prescription medications from manufacturers to pharmacies, physicians, and other institutions through the United States.**

**Applicants for VAWD Accreditation undergo a rigorous criteria compliance review, licensure verification, site survey, background checks, and screening through the NABP Clearinghouse. VAWD Accreditation is an ongoing process with regular accreditation procedures and verification processes to ensure continuing compliance with NABP and VAWD wholesale drug distribution guidelines. The award of Accreditation permits PD-Rx Pharmaceuticals to display the VAWD Seal on our web site and to use the term VAWD Accreditation in correspondence and promotional materials.**

**PD-Rx Pharmaceuticals is proud of its accreditation in the VAWD program and is committed to continuing the same level of exceptional service we have always provided to our customers in our 23 year of sales history. VAWD Accreditation is one more way of showing our commitment to providing the best service possible to the medical community and the pharmaceutical industry by our strict adherence to ethical business and marketing standards.**

**For additional information, please contact PD-Rx Pharmaceuticals at 1-405-942-3040 or visit our website at [www.pdrx.com](http://www.pdrx.com)**

**For additional information concerning the VAWD Accreditation process, visit the NABP website at [www.nabp.net](http://www.nabp.net)**



TriMarc Laboratories is a marketing division of PD-Rx Pharmaceuticals, Inc. and over the years has developed several new line items to introduce to the pharmaceutical market. This fiscal year, TriMarc has introduced 5 new line items so noted in yellow below. Management continues to research for new markets and products that can be introduced in the future as niche market line items that offer a different approach to the healthcare market. The flexibility of the manufacturing operations of PD-Rx Pharmaceuticals, Inc. provides TriMarc with the ability to open new markets and generate additional revenues. As this marketing division continues to grow, we expect to see many new products and customers in the years ahead.

Label Name	Product Description	Compared to	Size	Rx/OTC
Benzoyl Peroxide 5% Gel	Benzoyl Peroxide 5% Gel	Benzac	2oz (60g)	Rx
Benzoyl Peroxide 5% Wash	Benzoyl Peroxide 5% Wash	Benzac	8oz (227g)	Rx
Benzoyl Peroxide 10% Gel	Benzoyl Peroxide 10% Gel	Benzac	2oz (60g)	RX
Benzoyl Peroxide 10% Wash	Benzoyl Peroxide 10% Wash	Benzac	8oz (227g)	Rx
Calcium 600mg with Vitamin D 400IU	Calcium 600mg with Vitamin D 400IU	Caltrate	60 Tabs	OTC
Calcium 600mg with Vitamin D 400IU	Calcium 600mg with Vitamin D 400IU	Caltrate	120 Tabs	OTC
Calcium 600mg with Vitamin D 400IU	Calcium 600mg with Vitamin D 400IU	Caltrate	180 Tabs	OTC
Cetirizine 10mg 90 Tablets	Cetirizine 10mg 90 Tablets	Zyrtec	90 Tabs	OTC
Congesta DM 90 Tablets	Guaifenisen 400mg with Dextromethorphan HBr 20mg Immediate Release	Congesta DM	90Tabs	OTC
DuraFlex 60 Tablets	Glucosamine Sulfate-Potassium 750mg Chondroitin Sulfate 300mg MSM- Methylsulfonylmethane 250mg	DuraFlex	60 Tabs	OTC
DuraFlex 120 Tablets	Glucosamine Sulfate-Potassium 750mg Chondroitin Sulfate 300mg MSM- Methylsulfonylmethane 250mg	DuraFlex	120 Tabs	OTC
DuraFlex Comfort Gel 2oz	Water(Aqua), MethylSalicylate, Menthol, Aloe Barbadensis Leaf Juice, Sorbitol, MethylSulfonylMethane (MSM), Capsicum Annuum Resin, Glucosamine HCL, Carbomer, Triethanolamine, Imidazolidinyl Urea, Methylparaben.	DuraFlex Comfort Gel	2oz/60ml	OTC
EC 81	Aspirin Enteric Coated 81mg	Bayer LowDose	365	OTC
Folic Acid	Folic Acid 1mg	Folic Acid	100 Tabs	Rx
Folic Acid	Folic Acid 1mg	Folic Acid	1000 Tabs	Rx
Loratadine 10mg 90 Tablets	Loratadine 10mg 90 Tablets	Claritin	90 Tabs	OTC
Osteo-Portical	Calcium Carbonate 600mg with Vitamin D 1000IU as Cholecalciferol	Osteo-Portical	60 Tabs	OTC
RightStep PreNatal	PreNatal Vitamins w/ Folic Acid 800mcg Iron 27mg (Ferrous Fumarate)	PreNatal 800/27	100 Tabs	OTC
Z-Clinz Cleanser 60ml	Water(Aqua) Sodium Lauryl Sulfate, Cocamide DEA, Cocamidopropyl Betaine, Sodium Chloride, Glycerin, Aloe Barbadensis Leaf Juice, Triclosan, Glycol Distearate, Steareth-4, Zinc Pyrrithione, Imidazolidinyl Urea.	Z-Clinz Cleanser	60ml	OTC



# Corporate Information

## Corporate Headquarters

727 North Ann Arbor  
Oklahoma City, Oklahoma 73127  
T - 1-405-942-3040  
F – 1-405-942-5471

## Common Stock

Stock Symbol: PDRX.PK  
OTC Bulletin Board

## Stock Transfer Agent

Computershare  
350 Indiana Street  
Suite 750  
Golden, CO 80401  
T - 1-303-262-0678  
[www.computershare.com](http://www.computershare.com)

## News and Press Information

Please visit our website at  
[www.pdrx.com](http://www.pdrx.com)

## Independent Accountants

Grant Thornton  
Oklahoma City, OK