

The background of the entire page is a marbled pattern in shades of grey, blue, and brown. Overlaid on this are several semi-transparent, light blue geometric shapes, primarily triangles and polygons, which create a layered, architectural effect. A dark red horizontal band is positioned in the upper-middle section of the page.

**PD-Rx PHARMACEUTICALS, INC.**

**ANNUAL**

**2014**



December 14, 2014

Dear Shareholder,

Our audit for fiscal year 2014 was recently completed and I wanted to write to you regarding the results of our operations this past year. Our year end is June 30.

Sales for FY 2014 were \$29,120,564 up from last year's sales of \$26,019,486. Net profits were up this year as well topping out at \$1,964,142 up from last year's net profits of \$1,230,811. Earnings per share were up as well from \$0.70 per share in 2013 to \$1.13 in 2014. In summary, our sales were up over 11% but net earnings were up over 59% and earnings per share were increased over 61%. In regard to our Balance Sheets, total assets decreased from \$11,812,463 in 2013 to \$11,501,502 in 2014. Total liabilities decreased as well from \$3,463,872 in 2013 to \$1,323,935 in 2014. Shareholders' Equity in 2013 was \$8,348,591 as compared to \$10,177,567 in 2014, an increase of over \$1.9 million. These are a quick glance of the financial numbers that most shareholders are interested in, but I encourage you to look further in this report for complete financial information.

<http://ftp.pdrx.com/docs/2014AuditorsReport.pdf>

In review, PD-Rx remains debt free except for accounts payable, accrued and other current liabilities, and income taxes payable. We have no long term debt and our cash and cash equivalents at year end were over \$6 million a two million dollar increase over 2013. This kind of liquidity allows our company to go after larger projects that require a sizable investment in the product and carry the receivable until payment is made without seeking financing and the contingent finance charges that cut into profits or frankly could make the project unprofitable. Additionally, we often seek to purchase pharmaceuticals in larger quantities before an expected price hike in order to "make" additional profit after the drug goes up in price. This gives the Company a significant advantage over our competitors. Our 27,600 square foot facility has been mortgage free for several years as is all of our equipment.

The market place that we compete in is a difficult one. It is mostly driven by the company with the lowest price. For this reason we need to keep our sales and growth expectations congruent with the market place we participate in. In looking back at sales for previous years, 2010 total sales were \$19,358,270, 2011 were \$23,887,231, 2012 were \$25,553,544, 2013 were \$26,019,486, and finally 2014 were \$29,120,564. The last three years sales were driven by significant sales to a defined contracted group. These sales are sporadic, dependent upon demand attributable to multiple factors, such as supply and demand, contract sales, manufacturer wholesale pricing models, and other budgeted factors. We have also had sales to specialty market niches within the retail pharmacy market which have in the past contributed greatly to our sales volume. We cannot expect that all these areas will perform as they have in the past. As a contract manufacturer/repackager these sales areas come and go, so realistically we are tempering our expectations for next year and celebrating our past sales and growth. We recognize that over the 27 years of operations we have maintained a steady upward growth, with the occasional drop off in sales followed but another year of growth.

In closing, this is a shareholder owned company, we will always be mindful of the trust you place in our stewardship of this company.

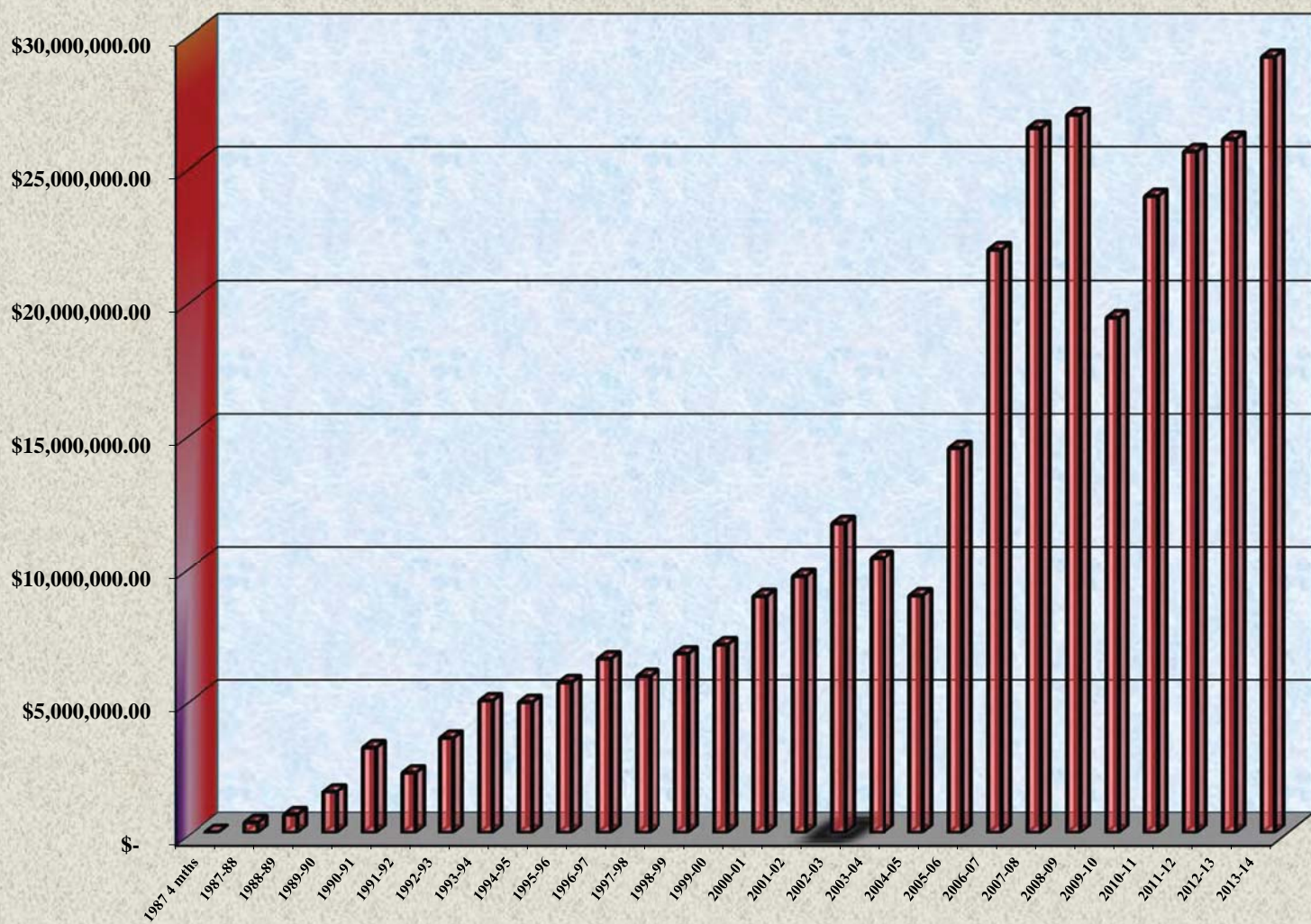
Sincerely,

Robert D. Holsey, D.Ph., D.O.

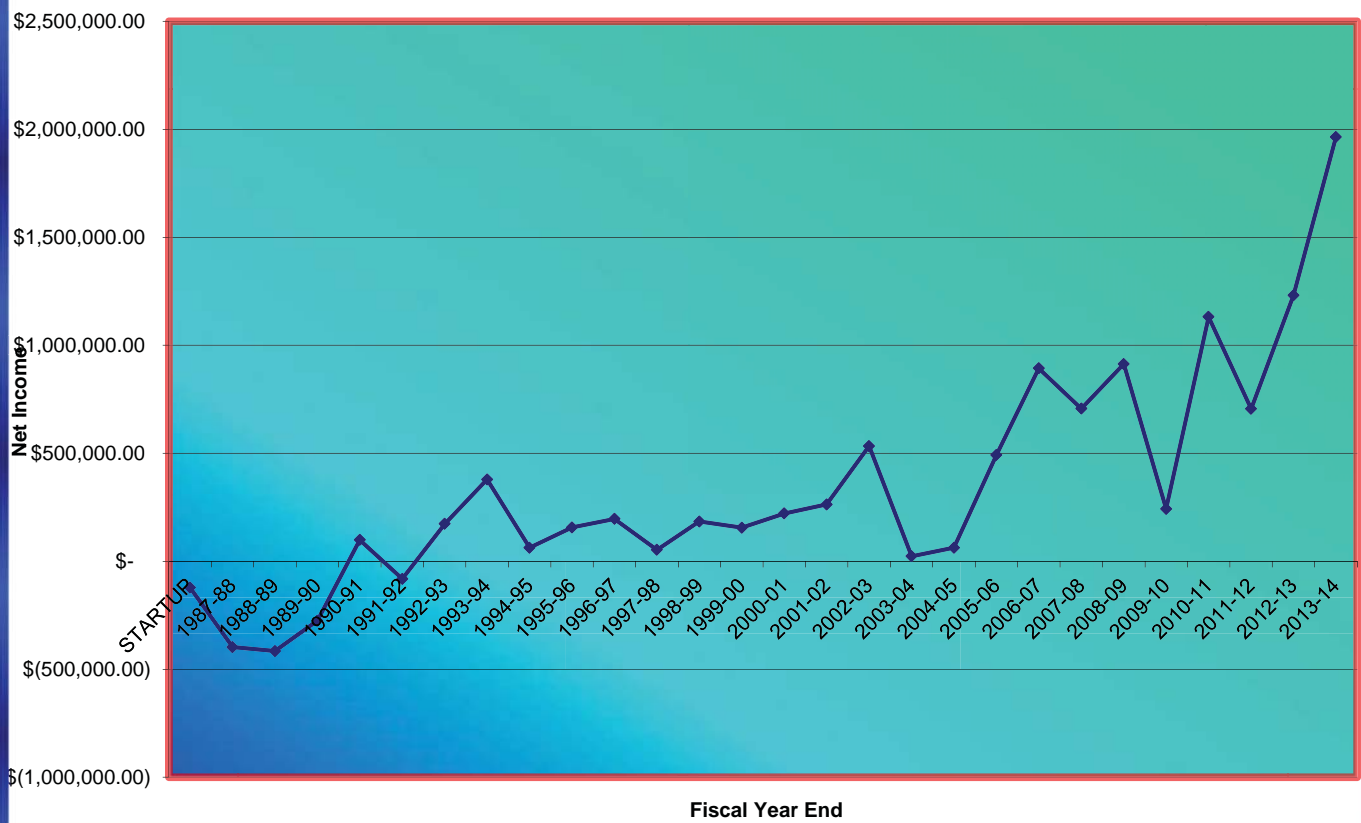
President and Chief Executive Officer



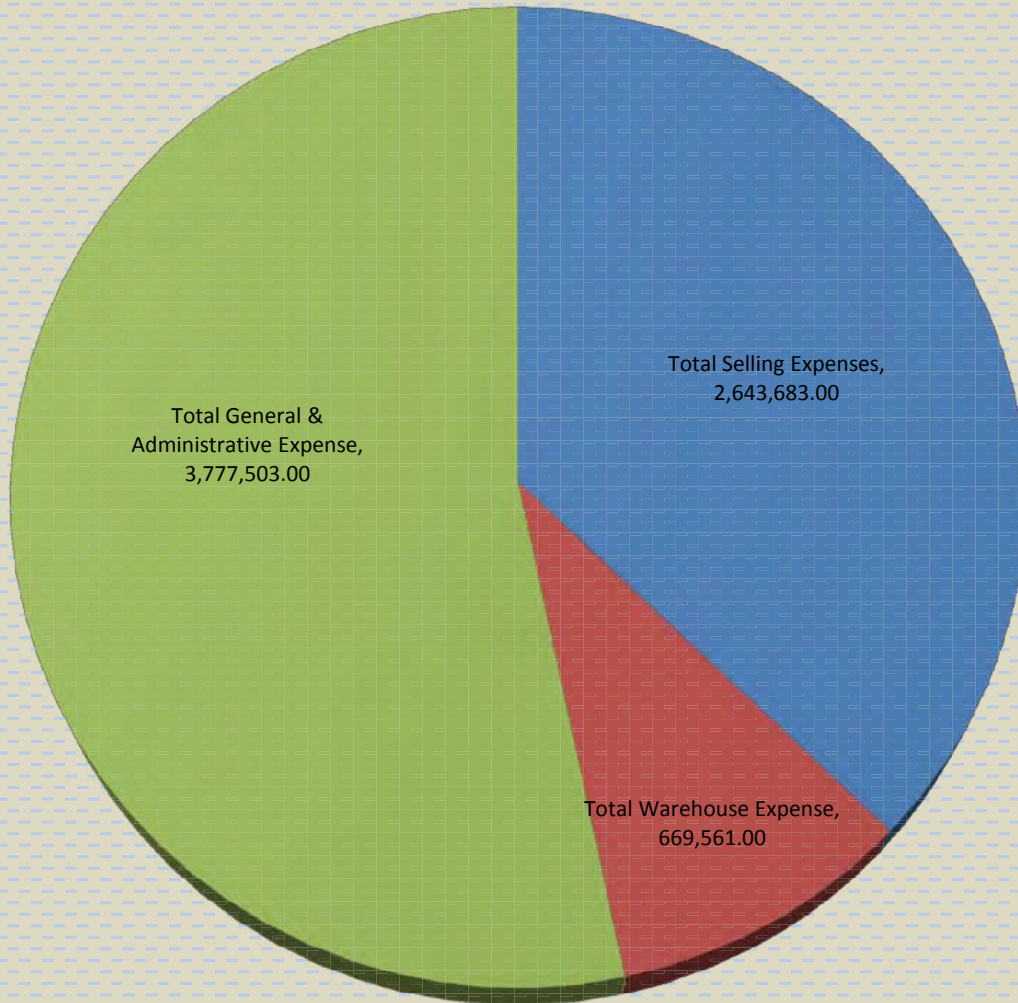
## PD-Rx Annual Sales 2014



**Net Income Yearly Review  
Ending 6/30/2014**



## Total Expense for Fiscal 2014



Monthly Stock Values





## **Statement of Belief**

- PD-Rx recognizes that we are a pharmaceutical service organization, and the continued success of the company is dependent on the day-to-day satisfaction of our customers.
- We endorse a partnership of shared values-integrity, responsiveness, affordability, achievement and quality.
- We take the position that the long-term needs and expectations of our customers and PD-Rx are inseparable. We seek long terms business relationships based on our reputation of superior performance and customer service.
- We recognize that continuous improvements in technologies, automation, and operating concepts, are essential to the company's competitive position and health.

## **Corporate Overview**

PD-Rx 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 is a 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 maintains a liability insurance policy of 2 Million in general coverage, 4 Million in Products Liabilities and a 10 Million-Dollar Umbrella Policy as additional insurance over and above the original manufacturer's liability coverage. The Board of Directors and key individual so listed below bring with them over 215 years of experience in the pharmaceuticals industry and business relations. PD-Rx was original incorporated on September 1986 in the State of Oklahoma, and on February 5th, 1988, 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 owns and operates 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 its own staff of computer programmers and IT support staff, necessary to computerize 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 the National Association of the Board of Pharmacy to be Verified-Accredited Wholesale Distributors (**VAWD**) certified.



## **Senior Management Team**

### David W. Dare, D.Ph. (Age 61) – Director

Mr. Dare has served as a Director since the Company's inception. He is a registered pharmacist. He has been a pharmacist with Walgreens. Prior to that, he was the owner and operator of a retail pharmacy and drug store for fourteen years in Binger, Oklahoma. Mr. Dare attended Oklahoma State University and Central State University prior to receiving his pharmacy degree in 1977 from the University of Oklahoma. From 1977 to 1978, he was employed in Springfield, Missouri, at a community pharmacy involved with nursing home unit-of-use packaging. Mr. Dare was employed by Baptist Medical Center in Oklahoma City, Oklahoma, from 1978 to 1982, as a staff pharmacist. While at Baptist Medical Center, he assisted with the computerization and decentralization of pharmacy services and the conversion to the unit dose system of medication delivery. Mr. Dare also co-authored a multi-disciplinary diabetic education class for diabetic patients, helped develop a pharmacy oncology satellite and was staff pharmacist for both cardiology and orthopedic drugs. Due to injuries related to an accident, Mr. Dare is currently on a leave of absence.

### Robert D. Holsey, D.O., D.Ph. (Age 62) - President, Chief Executive Officer, and Director

Dr. Holsey has served as a Director and President since the Company's inception. He is well suited for his role in the Company, drawing from both his education and his experience as a physician and a pharmacist. His combined years of experience in operating a successful pharmacy along with a 6,000 patient physician practice, in addition to 27 years of management experience in the repackaging/wholesale sector while at PD-Rx provides him the expertise necessary in carrying out his duties as President. Dr. Holsey graduated from the Altus Junior College and Central State University before entering pharmacy. He was awarded a pharmacy degree in 1977 from the University of Oklahoma, School of Pharmacy, where he served as senior class president. As a Registered Pharmacist, he owned and operated a pharmacy in Binger, Oklahoma, prior to entering medical school in 1978. Dr. Holsey attended the Oklahoma State University College of Osteopathic Medicine and Surgery in Tulsa, Oklahoma. At this college, he served as both Secretary and Vice President of the school's Student Osteopathic Medical Society and was a member of the Dean's Honor Roll each semester. He was awarded a Doctor of Osteopathy degree in 1981 and completed his internship at Fort Worth Osteopathic Medical Center. From 1982 until 1986, Dr. Holsey was in private practice in Binger, Oklahoma. During that time, he also served as the Medical Director of Caddo County, Oklahoma, Health Department and authored several health related articles in medical journals. Dr. Holsey is currently active as a board certified family practice physician.

Jack L. McCall, II (Age 55) - Executive Vice President, Chief Operations Officer, Director, and Secretary

Mr. McCall has served as one of the Director since September 1996 and as the Executive Vice President since December 1993. Previously with PD-Rx, Mr. McCall held the position of Vice President of Sales and Marketing and began his career with PD-Rx in May of 1989. Throughout his 24 years of management experience Mr. McCall has excelled in understanding the pharmaceutical market trends and kept the Company ahead of the curve with his valuable intuition and market skills. He is a 1983 graduate of Southern Connecticut State University in New Haven, Connecticut with a Bachelor of Science Degree. He also attended the University of Massachusetts in Amherst for sales and product development training. Prior to joining PD-Rx, Mr. McCall spent 5 years employed with ParMed Pharmaceuticals in Niagara Falls, New York, known as one of the largest distributorships in the US. While at ParMed Pharmaceuticals, Mr. McCall served as a Bid and Contract Key Account Representative for National Chains Stores, Major Wholesalers, and State and Federal Contracts. Mr. McCall has been instrumental in obtaining several large volume contracts and implementing a successful marketing strategy since joining the Company in 1989. His previous work experience provides valuable insight for PD-Rx as it expands its marketing efforts into the pharmaceutical distribution area.

Robert L. Baker, CPA, (Age 66) - Chief Financial Officer, Director, and Treasurer

Mr. Baker has served as a Director of the company since August, 1996. Since 1987 Mr. Baker has served PD-Rx in a financial consulting capacity and has been involved in the preparation of various business plans for the Company as well as accounting system setup and organization for the repackaging operation. He has provided assistance to the Company since its inception in the areas of finance, tax, and cash management. He is a Certified Public Accountant and previously served as Vice President of Jay Petroleum, Inc. which was sold in 2007. He is Vice President of Heartland Exploration, Inc. and, since 2012, has returned to daily responsibilities with PD-Rx. Mr. Baker has an accounting degree from Northwestern Oklahoma State University in Alva, Oklahoma. Prior to 1999, Mr. Baker was in practice as an independent consultant and also served in various management positions in the oil and gas industry.

Ben Silva, D.Ph. (Age 70) – Director of Pharmaceutical Operations

Mr. Silva has been a Registered Pharmacist for over forty-one years and a Doctor of Pharmacy for nine years. He graduated from College High School in Bartlesville Oklahoma in 1962. He attended the University of Oklahoma and graduated from the O.U. College of Pharmacy in 1969. He began his pharmacy career working for Professional Discount Pharmacy in Guthrie Oklahoma in July of 1969. In February of 1970, he became the assistant manager at Star Discount Pharmacies in Norman Oklahoma. In 1971 he became the General Manager for the five store

chain and by 1974 it grew to eight stores, which were located in Norman, Moore, Shawnee, Duncan, Bartlesville and Coffeyville Kansas. In 1976 Mr. Silva established Noble Pharmacy in Noble Oklahoma. He sold Noble Pharmacy in 1984 to accept a position of General Manager of G.B. Pharmakon Inc. G.B. Pharmakon owned clinic pharmacies throughout the Oklahoma City area, Midwest City, Spencer, Edmond and Enid Oklahoma. In the fall of 1985, Mr. Silva returned to his Alma Mater and became the Athletic Ticket Manager for the University of Oklahoma. In 1990 after five years of service to the University of Oklahoma he returned to the Pharmacy Profession. He was employed by Sequoyah Healthcare Inc. and Neighbor Care Healthcare Inc., which were closed door pharmacies servicing only nursing homes. In 2000 he accepted and began employment with PD-Rx Pharmaceuticals Inc. of Oklahoma City as Director of Pharmaceutical Operations.

Robert L. Surovec (66) Regulatory Affairs Compliance Officer

Mr. Surovec is a graduate of the University of Texas at Austin with a BA in Government. From 1971-1991, Mr. Surovec served as a Special Agent with the Drug Enforcement Administration (DEA), United States Dept. of Justice in the DEA Houston Field Office. In 1991, Mr. Surovec was promoted to a Supervisory Position as the Organized Crime Drug Enforcement Task Force (OCDETF) Coordinator and subsequently assigned as a Group Supervisor of a High Intensity Drug Trafficking Area (HIDTA) Squad and a DEA Enforcement Group at the DEA Houston Field Office. In 1996, Mr. Surovec was transferred to the DEA Headquarters, Washington, D.C. where he served as a Staff Coordinator with the Domestic Operations West Section and as an Inspector with the Office of Professional Responsibility (OPR). In 1998, Mr. Surovec was promoted to Section Chief of the Domestic Operations West Section. In 2000, Mr. Surovec was transferred to Oklahoma City where he served as the Assistant Special Agent in Charge of the DEA Oklahoma City District Office until his retirement from Government service in 2005. Mr. Surovec brings with him over 33 years experience in law enforcement, administrative and management skills.

## 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 that we maintain 4 semi-automated production areas to handle smaller production runs.

Each container closure system (bottle and cap) used by PD-Rx will meet or exceed U.S. Pharmacopoeia Standards for moisture and light resistant barriers. Each bottle will be provided with a child resistant cap (CRC) and a tamper evident foil liner.



PD-Rx currently offers over 2600 prepackaged medications and over 2000 pass through items (i.e., creams, ointments, ophthalmics, otics, liquids & suspensions etc). Our injectable line is represented by over 700 different brand and generic medications.

PD-Rx will help you review drug cost and therapeutic substitutions. PD-Rx offers professional assistance by staffed pharmacists and physicians.



## Quality Control

PD-Rx maintains over 173 stringent quality checks during each production run. Every order that is prepared for shipment is tracked and recorded. On the bottom of each 10 pack tray is a bar code that we scan and record the lot number and expiration date of the product when invoiced. From this information, PD-Rx will be able to run a Drug Distribution Data report also known as a DDD report. With this information in house, PD-Rx will be able to notify a clinic of a product recall within minutes. This report will be provided free of charge and is available at anytime. In



addition to this information, you will be able to go on line with [www.pdrx.com](http://www.pdrx.com) and review your pedigree history simply by scanning the bar code on each bottle to track the complete flow of the products that you purchase from PD-Rx; we are 100 % pedigreed on all products offered to our customers since 2005.

## Packaging

*PD-Rx will provide you with an approved unit of use container closure system that meets or exceeds the U. S. Pharmacopeia Standards. The container closure system*

*starts with a White High Density Polyethylene (HDPE) bottles with a Child Resistant Cap (CRC) that is hermetically sealed with a tamper evident foil heat induction liner that has a center pull tab for easy opening. This type of foil liner will alert you if any tampering of medication has occurred.*

**Prescription Bottle:** Shall consist of White High Density Polyethylene (HDPE) with a Child Resistant Cap (CRC) manufactured of White Density Polyethylene Cap and a High Density Polypropylene Inner Liner. Each bottle will be sealed with a Tamper Evident Foil liner that is hermetically sealed with a heat induction liner that has an Easy Open Seal center pull-tab.

**Label Design:** Each label will be made available with three removable tabs for dispensing and pharmacy log tracking capabilities. Each removable tab will identifying the National Drug Code number, Product Description Strength, Expiration Date and Lot Number on each tab. Each Label will provide a set of so defined blank prescribing instructions both in English and Spanish, standard warning, Organoleptic markings, Bar Coded NDC #, and barcode Lot # and Expiration Dates.

All unit of use bottles are packaged in 10 pack trays and shrunk wrapped as a single unit for ease of storage and additional protection with tracking barcode on the bottom of each tray.

## **Pedigree Supply Chain**

PD-Rx Pharmaceuticals, Inc. does its best to source all products from the manufacturers on a direct basis, and utilizes wholesalers and distributors around the US as secondary sources. The operations of PD-Rx are 100% pedigreed, and have been since 2005. PD-Rx maintains a Centralized Pedigree Repository, and you can review and pull up all of your pedigree information on line at our website [www.pdrx.com](http://www.pdrx.com) under a customer log-in. You will be able to identify the manufacturer that we bought the product from, and the same information is available on every wholesaler or distributor in between that handled the product.

## **Dispensing Platforms**

PD-Rx offers a Manual Dispensing System for all customers at no additional cost. Our manual log system provides 10 recordkeeping labels to match the 10 bottle trays provided as a convenient handling package.

If the customer wishes to offer Patient Education Leaflets to their patients, this service is available on line at [www.pdrx.com](http://www.pdrx.com) for both English and Spanish printed leaflets. The leaflets are printable from the PD-Rx website and are updated on our central server.

PD-Rx Net is a Web Based application that allows our customer's access through a web portal that can be reached from anywhere one can access a web browser.

The application is designed to track prescriptions filled at the point of care and print prescription labels for prescription that are filled onsite.

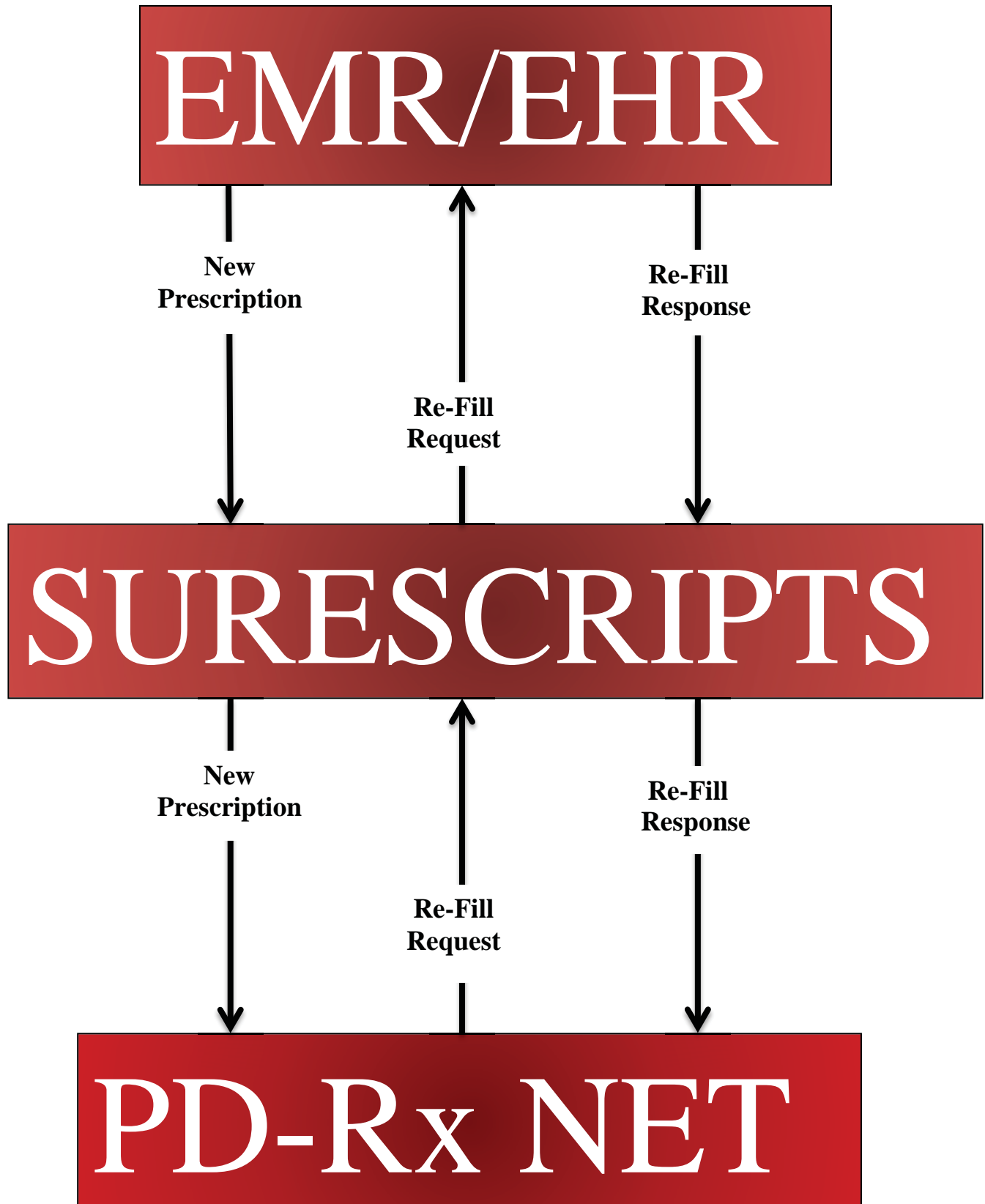
The application is capable of sending an electronic prescription a feature we call PD-Rx Link, and is Sure Script certified to their standards.



The application also offers a control substances reporting module call C-Report that meets the needs of state reporting requirements of individual states and their Prescription Drug Monitoring Programs requirements. With each prescription a Patient Education Leaflets is available in English and Spanish.

## “PD-Rx Link” Module

With the use of the “PD-Rx Link” module featured within the base operations of the PD-Rx Net software system a medical practice will be able to offer the following routing transactions as diagramed in the flow c



## **Computer Programmers and IT Support Staff**

PD-Rx has just finished its fourth rewrite of the PD-Rx Net program with new enhanced features, reports, and will be adding new functions to the platform this year for all of our customers that move over to the new versions.

PD-Rx has always written its own software, and has been doing so since 1986. We currently have three full time programmers and two full time IT & network support staff.

## **HIPAA and Network Security Profiles**

Technology implementation of HIPAA covers three areas:

1. Physical Data Center Security
  - a. Access codes are required for entrance to data facility
  - b. Facility is monitored by closed circuit TV cameras to monitor and record internal and external building activities.
  - c. Security system with motion sensors monitors the building 24 x 7.
  - d. Data backups are encrypted and sent off-site to a remote location.
  - e. Backups are verified regularly to assure recovery procedure
2. Network Security
  - a. Data is protected by redundant enterprise level firewalls.
  - b. All data transferred over the internet uses SSL with true 256-bit encryption.
3. Data Security
  - a. Separate individual user names and passwords.
  - b. User level access control (access can be restricted based on individual user accounts).



## **General and Contact Information**

### Shipping/Mailing Address:

PD-Rx Pharmaceuticals, Inc.

727 North Ann Arbor

Oklahoma City, OK 73127

### LockBox Remittance Address:

PD-Rx Pharmaceuticals, Inc.

P.O. Box 960149

Oklahoma City, OK 73196

Local: (405) 942-3040

Fax: (405) 942-5471

Toll-Free: (800) 299-7379

Toll Free Fax: (800) 370-3556

Website: [www.pdrx.com](http://www.pdrx.com)

For Order Entry, Online Tracking Shipments, Billing History, & Pedigree Report.

General E-mail: [pdrx@pdrx.com](mailto:pdrx@pdrx.com)

Hours of Operation: Monday through Friday

7:00 am to 5:00 pm (CST)

# 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  
OTC Bulletin Board

## **Stock Transfer Agent**

Computershare  
P.O Box 30170  
College Station, TX  
77842-3170  
T - 1-303-262-0678

[www.computershare.com](http://www.computershare.com)

For all current Stock Certificate Holders please make sure that you keep Computershare updated as to your current address. If Computershare is unable to contact you as a Stock Certificate Holders, your property will be turned over to the state as unclaimed property. Shareholders Service Line is 1-800-962-4284

## **News and Press Information**

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

## **Independent Accountants**

Grant Thornton  
Oklahoma City, OK