

**HEALTHWAREHOUSE.COM, INC.**

**Quarterly Report**  
**(Unaudited)**

**For the quarterly period ended June 30, 2017**

# HEALTHWAREHOUSE.COM, INC.

## Quarterly Report

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## **PART I – ENTITY AND SECURITY INFORMATION**

### **1) Name of the issuer and its predecessors (if any):**

HealthWarehouse.com, Inc. (the “Company”, “Issuer or “HEWA”)

Formerly Ion Networks, Inc. until 8-2009.

Merged with MicroFrame, Inc. from August 5, 1998 in, name of surviving entity Ion Networks, Inc., until 3-99.

Name changed to Clacendix, Inc. on January 4, 2008.

Name changed to HealthWarehouse.com, Inc. on July 31, 2009.

### **2) Address of the issuer’s principal executive offices**

#### Company Headquarters

Address 1: 7107 Industrial Road

Address 2: Florence, KY 41042

Phone: (800) 748-7001

Email: support@healthwarehouse.com

Website(s): [www.healthwarehouse.com](http://www.healthwarehouse.com)

#### IR Contact

None

### **3) Security Information**

#### a) Security information as of June 30, 2017:

Title and Class of Security	Par Value	Trading Symbol	Total Shares Authorized	Total Shares Outstanding
Common Stock	\$0.001	HEWA	100,000,000	45,637,764
Preferred Stock – Series A	\$0.001	Not Applicable	200,000	-0-
Preferred Stock – Series B	\$0.001	Not Applicable	625,000	517,359
Preferred Stock – Series C	\$0.001	Not Applicable	10,000	10,000

On April 14, 2017, HEWA filed Form 15 with the Securities and Exchange Commission terminating the registration of its Common Stock under Rule 12 g-4(a)(1) of the Securities Exchange Act of 1934.

#### b) Transfer Agent:

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

Phone: (718) 921-8200

Is the Transfer Agent registered under the Exchange Act? Yes: X No:

c) List any restrictions on the transfer of security:

HEWA has issued unregistered shares of common stock that are restricted from resale in the public market unless the sale(s) are exempt from SEC registration requirements.

d) Describe any trading suspension orders issued by the SEC in the past 12 months: None

e) List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None that occurred within the past 12 months or currently anticipated.

#### **4) Issuance History**

##### **Changes in Total Common Shares Outstanding (last two fiscal years):**

Please see the details of changes in shares outstanding for the years ended December 31, 2016 and 2015 contained in the Company's Form 10-K filed with the SEC on March 21, 2017.

During the quarter ended March 31, 2017, the Company issued 66,660 common shares to a former executive as the result of the exercise of stock options. In addition, 302,001 common shares were issued to the Company's board of directors as compensation for their service as directors.

During the quarter ended June 30, 2017, the Company recorded the following transactions related to its common shares:

- a) the Company issued 400,000 shares of common stock on April 3, 2017 in exchange for the extinguishment of \$121,725 of accounts payable balance for legal services. The shares were valued at \$0.22 per share which was the closing price of the shares on the date of the exchange.
- b) On April 6, 2017, the Company issued 411,490 shares of common stock to directors of the Company for payment of their noncash portion of their director's fees for the first quarter of 2017. The shares had an aggregate grant date value of \$66,250 and were valued at \$0.16 per share, which was the closing price for the Company's common stock on the date of issuance.
- c) Effective April 7, 2017 the Company entered into Subscription Agreements (the "Subscription Agreements") with three affiliated accredited investors, namely Joseph Heimbrock, Cormag Holdings, Ltd. and Osgar Holdings Ltd. (collectively, the "Investors") and sold shares of the Company's common stock, par value \$0.001 per share, to the Investors in a non-public offering under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933, as amended.

Through MVI Partners, LLC, Mr. Heimbrock holds approximately 97% of the Company's outstanding shares of Series B Preferred Stock and Mr. Heimbrock is a member of the Company's Board of Directors.

Cormag Holdings, Ltd. is owned by Mark D. Scott, the Company's Chairman of the Board of Directors and beneficially owns approximately 11.9% of the Company's outstanding shares of common stock after giving effect to the subscription.

Osgar Holdings Ltd. is the beneficial owner of approximately 6.6% of the Company's outstanding shares of common stock after giving effect to the subscription. Hong Penner is the President and sole shareholder of

Osgar Holdings Ltd. and she and her husband Brent Penner have loaned Kapok Limited Ventures, a British Columbia corporation ("Kapok") \$250,000 for purposes of financing the Kapok Loan Agreements.

Under the terms of the Subscription Agreements, the Company sold a total of 1,875,000 shares of common stock to the Investors at \$0.16 per share for an aggregate price of \$300,000. In connection with the Subscription Agreements, MVI Partners, LLC and the other holders of the Company's Series B Preferred Stock executed a Waiver of Rights of First Refusal.

## **5) Financial Statements**

See PART II – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS below.

## **6) Issuer's Business, Products and Service**

A. Description of the Issuer's business operations, principal products and their market:

HealthWarehouse.com, Inc. is an online pharmacy, licensed and/or authorized to sell and deliver prescriptions in 50 states and the District of Columbia focusing on the out-of-pocket prescription drug market, a market which is expected to continue to grow. The Company sells directly to individual consumers who purchase prescription medications and OTC products over the Internet. HealthWarehouse.com is currently 1 of 57 Verified Internet Pharmacy Practice Websites ("VIPPS") accredited by the National Association of Boards of Pharmacy ("NABP").

Additional information related to the Company's business operations can be found in the Company's Form 10-K for December 31, 2016 which was filed with the SEC on March 21, 2017.

B. Date and State (or Jurisdiction) of Incorporation:

Current State of Incorporation: Delaware, March 6, 2007

C. Issuer's primary and secondary SIC Codes;

5912 - Drugstores and Proprietary Stores

C. the Issuer's fiscal year end date is December 31.

## **7) Description of Issuer's Facilities**

HealthWarehouse.com, Inc.'s corporate headquarters is located at 7107 Industrial Road, Florence, Kentucky, 41042 which also houses its inventory and pharmacy and customer service operations. The Company occupies 28,494 square feet of office, storage, and warehouse space under a lease with a monthly rental and the lease expires December 31, 2019.

## 8) Officers, Directors, and Control Persons

### A. Names of Officers and Directors

The following table sets forth certain information with respect to the directors and executive officers of the Company as of the date of this information statement June 30, 2017. Please see detailed director biographies contained in the Company's Form 10-K filed with the SEC on March 21, 2017. Mr. Peters was appointed Interim President and Chief Executive Officer on April 11, 2017 and elected to the Company's board of directors on July 24, 2017 (See Note 9 – Subsequent Events of the included financial statements). Also see Form 8-K filed with the SEC on April 13, 2017 for additional biographical information for Mr. Peters.

Name	Title
Joseph B. Peters	Interim President and Chief Executive Officer and Principal Financial Officer, and Director
Mark D. Scott	Director
Dr. Stephen J. Weiss	Director
Joseph Heimbrock	Director
J. Robert Smyjunas, Jr.	Director

### B. Control Persons

The following individuals and entities are the beneficial owners of more than five percent (5%) of HEWA's Common Stock as of June 30, 2017:

Name	% Shares Owned
Joe Heimbrock, Director	13.6
Mark Scott, Director	11.2
Dr. Bruce Bedrick	12.5
Lalit Dhadphale	6.6
Dellave Holdings/Tim Reilly	9.6
Estate of Wayne Corona	6.1
Osgar Holdings	6.1

### C. Beneficial Shareholders

The following is a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders are provided.

Name	Address (City and State only)	% Shares Owned
Joe Heimbrock/MVI Partners	3299 Hughes Court, Taylor Mill, KY 41015	13.6
Mark Scott/Cormag Holdings Ltd.	104 Falcon Ridge Drive, Winnipeg, Manitoba, Canada R3Y1X6	11.2
Dr. Bruce Bedrick	5375 Monterey Circle #32, Delray Beach, FL 33484	12.5

D. Legal/Disciplinary History. Please identify whether any of the above-mentioned Directors, Officers, Control Persons and or Beneficial Shareholders have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

## **9) Third Party Providers**

### **Legal Counsel**

#### General Counsel

Name: F. Mark Reuter  
Firm: Keating Muething & Klekamp PLL  
Address 1: 1 E. 4<sup>th</sup> Street, Suite 1400  
Address 2: Cincinnati, OH 45202  
Phone: (513) 579-6400  
Email: freuter@kmklaw.com

#### Securities Counsel

Name: Mark J. Zummo  
Firm: Kohnen & Patton, LLP  
Address 1: 201 East Fifth Street, Suite 800  
Address 2: Cincinnati, OH 45202  
Phone: (513) 381-0656  
Email: mzummo@kplaw.com

**Accounting/Auditing Firm**

Firm: Marcum LLP  
Address 1: 750 Third Avenue 11<sup>th</sup> Floor  
Address 2: New York, NY 10017  
Phone: (212) 485-5500  
Email: [info@marcumllp.com](mailto:info@marcumllp.com)



## **PART II – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash	\$ 3,579	\$ 3,828
Restricted cash	451,568	243,255
Accounts receivable, net	112,482	65,431
Inventories	319,369	209,415
Prepaid expenses and other current assets	62,331	85,576
Total current assets	949,329	607,505
Property and equipment, net	328,132	331,759
Web development costs, net	6,756	35,901
Total assets	<u>\$ 1,284,217</u>	<u>\$ 975,165</u>
<b>Liabilities and Stockholders' Deficiency</b>		
Current liabilities:		
Accounts payable – trade	\$ 1,768,610	\$ 1,841,548
Accrued expenses and other current liabilities	894,101	1,036,356
Notes payable	1,000,000	1,300,000
Note payable – related parties	48,504	67,905
Redeemable preferred stock - Series C; par value \$0.001 per share; 10,000 designated Series C: 10,000 issued and outstanding as of June 30, 2017 and December 31, 2016 (aggregate liquidation preference of \$1,000,000)	1,000,000	1,000,000
Total current liabilities	<u>4,711,215</u>	<u>5,245,809</u>
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock – par value \$0.001 per share; authorized 1,000,000 shares; issued and outstanding as of June 30, 2017 and December 31, 2016 as follows:		
Convertible preferred stock - Series A – 200,000 shares designated Series A; 44,443 shares available to be issued; no shares issued and outstanding	-	-
Convertible preferred stock - Series B – 625,000 shares designated Series B; 517,359 shares issued and outstanding as of June 30, 2017 and December 31, 2016, (aggregate liquidation preference of \$5,414,369 and \$5,231,274 as of June 30, 2017 and December 31, 2016, respectively)	517	517
Common stock – par value \$0.001 per share; authorized 100,000,000 shares, 46,816,976 and 43,761,825 shares issued and 45,637,764 and 42,582,613 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	46,816	43,760
Additional paid-in capital	32,551,164	32,014,630
Treasury stock, at cost, 1,179,212 shares as of June 30, 2017 and December 31, 2016	(3,419,715)	(3,419,715)
Accumulated deficit	(32,605,780)	(32,909,836)
Total stockholders' deficiency	(3,426,998)	(4,270,644)
Total liabilities and stockholders' deficiency	<u>\$ 1,284,217</u>	<u>\$ 975,165</u>

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

**HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net sales	\$ 3,901,841	\$ 2,403,974	\$ 7,282,305	\$ 4,751,772
Cost of sales	<u>1,323,140</u>	<u>858,836</u>	<u>2,403,836</u>	<u>1,750,656</u>
Gross profit	2,578,701	1,545,138	4,878,469	3,001,116
Selling, general and administrative expenses	<u>2,185,870</u>	<u>1,597,070</u>	<u>4,339,314</u>	<u>3,280,786</u>
Net income (loss) from operations	392,831	(51,932)	539,155	(279,670)
Interest expense	<u>27,413</u>	<u>27,529</u>	<u>52,006</u>	<u>53,448</u>
Net income (loss)	365,418	(79,461)	487,149	(333,118)
Preferred shares - Series B convertible contractual dividends	<u>(91,548)</u>	<u>(85,558)</u>	<u>(183,093)</u>	<u>(171,116)</u>
Net income (loss) attributable to common stockholders	<u>\$ 273,870</u>	<u>\$ (165,019)</u>	<u>\$ 304,056</u>	<u>\$ (504,234)</u>
Per share data:				
Net income (loss) – basic and diluted	\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.01)
Series B convertible contractual dividends	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.00)</u>
Net income (loss) attributable to common stockholders - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding - basic and diluted	45,473,820	37,684,714	44,080,487	37,674,938

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

**HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 487,149	\$ (333,118)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	42,738	88,377
Stock-based compensation	136,490	112,439
Impairment loss webiste development costs	13,700	-
Amortization of debt discount	-	8,611
Changes in operating assets and liabilities:		
Accounts receivable	(47,051)	4,154
Inventories - finished goods	(109,954)	(67,434)
Prepaid expenses and other current assets	23,245	12,698
Accounts payable – trade	15,025	131,870
Accrued expenses and other current liabilities	(318,248)	(20,807)
Other, net	39	(862)
Net cash provided (used in) operating activities	<u>243,133</u>	<u>(64,072)</u>
<b>Cash flows from investing activities</b>		
Change in restricted cash	(208,313)	159
Capital expenditures	<u>(23,666)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(231,979)</u>	<u>159</u>
<b>Cash flows from financing activities</b>		
Principal payments on equipment leases payable	-	(34,192)
Proceeds from exercise of common stock options	7,999	-
Proceeds from issuance of notes payable	1,000,000	108,911
Repayment of notes payable	(1,300,000)	(19,824)
Proceeds from the sale of common stock	300,000	-
Repayment of notes payable and other advances – related parties	<u>(19,402)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(11,403)</u>	<u>54,895</u>
<b>Net decrease in cash</b>	(249)	(9,018)
<b>Cash - beginning of period</b>	<u>3,828</u>	<u>11,217</u>
<b>Cash - end of period</b>	<u>\$ 3,579</u>	<u>\$ 2,199</u>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ 52,006	\$ 44,836
<b>Non-cash investing and financing activities:</b>		
Issuance of Series B preferred stock for settlement of accrued dividends	\$ -	\$ 319,854
Issuance of common stock for director fees	\$ 141,750	\$ -
Conversion of accounts payable into common stock	\$ 87,600	\$ -
Warrants issued in connection with notes payable	\$ 7,100	\$ 15,500
Accrual of contractual dividends on Series B convertible preferred stock	\$ 183,093	\$ 171,116

## **HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES**

### **Notes to Condensed Consolidated Financial Statements**

#### **1. Organization and Basis of Presentation**

HealthWarehouse.com, Inc. ("HEWA" or the "Company"), a Delaware company incorporated in 1998, is an online mail order pharmacy, licensed/or authorized to sell and deliver prescriptions in 50 states and the District of Columbia focusing on the out-of-pocket prescription drug market. The Company is Verified Internet Pharmacy Practice Site ("VIPPS") accredited by the National Association of Boards of Pharmacy ("NABP"). The Company markets a complete range of generic, brand name, and pet prescription medications as well as over-the-counter ("OTC") medications and products.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all the information and disclosures required by GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year ending December 31, 2017 or any other period. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2016 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 17, 2017.

#### **2. Going Concern and Management's Liquidity Plans**

The Company adopted the guidance in Accounting Standards Update ("ASU") 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40) - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, as of December 31, 2016. This ASU requires management to assess a company's ability to continue as a going concern and to provide related disclosures in certain circumstances. Based on the results of the Company's analysis, the following information is provided.

Since inception, the Company has financed its operations primarily through debt and equity financings and advances from related parties. As of June 30, 2017, the Company had a working capital deficiency of \$3,761,886 and an accumulated deficit of \$32,605,780. During the three and six months ended June 30, 2017 and the year ended December 31, 2016, the Company recorded net income of \$365,418 and \$487,149, and incurred net losses of \$1,408,203, respectively, and provided cash from operations of \$243,133 and used cash in operating activities of \$64,072, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements issued. Subsequent to June 30, 2017, the Company continues to experience cash and working capital constraints.

The Company is subject to a 2013 Notice of Redemption related to its Series C Redeemable Preferred Stock aggregating \$1,000,000. The Terms of the Series C Redeemable Preferred Stock provide that the Company must now apply all of its assets to redemption of the Series C Preferred Stock and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders (the Company is not permitted to utilize toward the redemption those assets required to pay its debts as they come due and those assets required to continue as a going concern).

The Company recognizes it will need to raise additional capital in order to fund operations, meet its payment obligations and execute its business plan. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to the Company and whether the Company will become profitable and generate positive operating cash flow. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, attempt to extend note repayments, attempt to negotiate the preferred stock redemption and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. If the Company is unable to obtain financing on a timely basis, the

Company could be forced to sell its assets, discontinue its operations and /or seek reorganization under the U.S. bankruptcy code.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the condensed consolidated financial statements do not necessarily represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **3. Summary of Significant Accounting Policies**

#### *Principles of Consolidation*

The condensed consolidated financial statements include the accounts of HealthWarehouse.com, Inc., Hwareh.com, Inc., Hocks.com, Inc., ION Holding NV and ION Belgium NV, its wholly-owned subsidiaries. ION Holding NV and ION Belgium NV are inactive subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include reserves related to accounts receivable and inventory, the recoverability and useful lives of long-lived assets, the valuation allowance related to deferred tax assets, the valuation of equity instruments and debt discounts.

#### *Recently Issued Accounting Pronouncements*

On May 10, 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting," clarifying when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The new guidance is effective for the Company on a prospective basis beginning on January 1, 2018, with early adoption permitted. This new guidance is not expected to have an impact on the Company's consolidated financial statements as it is not the Company's practice to change either the terms or conditions of share-based payment awards once they are granted.

#### *Reclassifications*

Certain accounts in the prior period condensed consolidated financial statements have been reclassified for comparison purposes to conform to the presentation of the current period condensed consolidated financial statements. These reclassifications had no effect on the previously reported net income or loss.

#### *Net Earnings (Loss) Per Share of Common Stock*

Basic net earnings (loss) per share is computed by dividing net earnings (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per share reflects the potential dilution that could occur if securities or other instruments to issue common stock were exercised or converted into common stock. Potentially dilutive securities are excluded from the computation of diluted net earnings (loss) per share if their inclusion would be anti-dilutive and consist of the following:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Options	1,091,371	5,008,830
Warrants	7,841,118	9,976,474
Series B Convertible Preferred Stock	6,192,787	5,507,202
Total potentially dilutive shares	<u>15,125,276</u>	<u>20,492,506</u>

#### 4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Accrued Interest	\$ 35,518	\$ 44,249
Accrued Rent	51,665	51,181
Accrued Legal	47,000	-
Advertising	-	75,000
Deferred Revenue	45,831	8,732
Dividend Payable	525,326	342,233
Proxy & Solicitation Costs	-	130,000
Salaries and Benefits	32,354	110,819
Severance	139,653	232,417
Other	16,754	41,725
	<u>\$ 894,101</u>	<u>\$ 1,036,356</u>

#### 5. Notes Payable

Notes payable consisted of the following:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Senior Note	\$ -	\$ 1,200,000
Promissory Note	-	100,000
Kapok Promissory Note	1,000,000	-
	<u>\$ 1,000,000</u>	<u>\$ 1,300,000</u>

##### *Senior Note*

The Company was a party to a Loan and Security Agreement dated March 28, 2013 (the “Loan Agreement”) with Melrose Capital Advisors (the “Lender”). Under the terms of the Loan Agreement, the Company had borrowed an aggregate of \$1,200,000 from the Lender (the “Loan”). The Loan was evidenced by a promissory note (the “Senior Note”) in the face amount of \$1,000,000, as amended.

The Senior Note bears interest on the unpaid principal balance of the Note until the full amount of principal had been paid at a floating rate equal to the Prime Rate plus four and one-quarter percent (4.25%) per annum. Under the terms of the Loan Agreement, the Company had agreed to make monthly payments of accrued interest on the first day of every month. On November 30, 2016, the Company and the Lender entered into a Fourth Amendment to Amended and Restated Promissory Note, pursuant to which the Lender agreed to extend the maturity date of the Senior Note from November 30, 2016 to February 28, 2017. On February 28, 2017, the Company and the Lender entered into a Fifth Amendment to Amended and Restated Promissory Note, pursuant to which the Lender agreed to extend the maturity date of the Senior Note from February 28, 2017 to March 30, 2017. On March 30, 2017, the Company and the Lender entered into a Sixth Amendment to Amended

and Restated Promissory Note, pursuant to which the Lender agreed to extend the maturity date of the Senior Note to April 7, 2017. The principal amount and all unpaid accrued interest on the Note was payable on April 7, 2017, or earlier in the event of default or a sale or liquidation of the Company. The Loan could be prepaid in whole or in part at any time by the Company without penalty.

The Company granted the Lender a first priority security interest in all of the Company's assets, in order to secure the Company's obligation to repay the Loan, including a Deposit Account Control Agreement, dated as of July 8, 2016, which granted the Lender a security interest in certain bank accounts of the Company. The Loan Agreement contained customary negative covenants restricting the Company's ability to take certain actions without the Lender's consent, including incurring additional indebtedness, transferring or encumbering assets, paying dividends or making certain other payments, and acquiring other businesses. Upon the occurrence of an event of default, the Lender had the right to impose interest at a rate equal to eight percent (8.0%) per annum above the otherwise applicable interest rate (the "Default Rate"). The repayment of the Loan could be accelerated prior to the maturity date upon certain specified events of default, including failure to pay, bankruptcy, breach of covenant, and breach of representations and warranties. The Loan balance and related accrued interest was paid in full on April 7, 2017.

#### *Promissory Note*

On October 30, 2013, the Company issued a note payable with a principal amount of \$100,000 to a lender. The note accrued interest on the unpaid principal balance until the full amount of principal had been paid at a floating rate equal to the Prime Rate plus four and one-quarter percent (4.25%) per annum. Under the terms of the note, the Company agreed to make monthly payments of accrued interest. The principal amount and all unpaid accrued interest was payable on October 31, 2016 (as amended).

On January 11, 2016, the Company entered into a Second Amendment to the Promissory Note which extended the maturity date of the note payable from November 1, 2015 to October 31, 2016. In consideration of the extension of the maturity date of the note payable, the Company issued to the lender a five-year warrant to purchase 75,000 shares of common stock at an exercise price of \$0.25 per share. The warrants had a fair value of \$15,500 using the Black-Scholes model which was established as debt discount and was amortized using the effective interest method over the remaining term of the Promissory Note. Including the value of the warrants issued in connection with the extension of the maturity date of the Promissory Note, the Promissory Note had an effective interest rate of 23% per annum during the extension period. The Company recorded amortization of debt discount associated with notes payable of \$5,167 and \$8,611 for the three and six months ended June 30, 2016, respectively.

On March 3, 2017, the Company and the lender entered into a Third Amendment to Promissory Note effective as October 31, 2016 which extended the maturity date of the note payable from October 31, 2016 to March 31, 2017. The Company continued to make monthly interest payments on the first day of every month until March 31, 2017, when the entire unpaid principal sum of the note and all accrued and unpaid interest was due and payable in full. The Company's payment and other obligations under this Note were unsecured. The Promissory Note balance and related accrued interest was paid in full on April 7, 2017.

#### *Kapok Promissory Note*

Effective April 7, 2017, the Company executed a new promissory note (the "Kapok Promissory Note") and a Security Agreement (the "Kapok Security Agreement") (collectively, the Kapok Promissory Note and the Kapok Security Agreement, the "Kapok Loan Agreements") with Kapok Ventures Limited. Under the terms of the Kapok Promissory Note, the Company borrowed an aggregate of \$1,000,000 from Kapok (the "Kapok Loan"). The Kapok Promissory Note bears interest on the unpaid principal balance until the full amount of principal has been paid at a variable rate equal to the prime rate plus four and one-quarter percent (4.25%) per annum (8.50% at June 30, 2017). Under the terms of the Kapok Promissory Note, the Company has agreed to make monthly payments of accrued interest on the first day of every month. The principal amount and all unpaid accrued interest on the Kapok Promissory Note is payable on March 31, 2018.

Pursuant to the Kapok Security Agreement, the Company granted Kapok a first priority security interest in all of the Company's assets, in order to secure the Company's obligation to repay the Kapok Promissory Note. The Kapok Loan Agreements contain customary negative covenants restricting the Company's ability to take certain actions without Kapok's consent, including incurring additional indebtedness, transferring or encumbering assets, paying dividends or making certain



other payments, and acquiring other businesses. The repayment of the Kapok Promissory Note may be accelerated prior to the maturity date upon certain specified events of default, including failure to pay, bankruptcy, breach of covenant, and breach of representations and warranties.

The proceeds from the Kapok Promissory Note and the Subscription Agreements (See Note 7 – Stockholders' Deficiency) were used to repay in full the indebtedness under a Promissory Note in the principal amount of \$100,000 and the \$1,200,000 due to Melrose Capital Advisors, LLC under the Company's Senior Note.

The investor rights agreement of the Company's Series B preferred shares limits the total debt of the Company to \$1 million. The Company had received waivers to temporarily exceed the limit in connection with the extensions of the Senior Note.

## **6. Stockholders' Deficiency**

### ***Common Stock***

On March 23, 2017, the Company issued 302,001 shares of common stock to four directors of the Company for payment of their noncash portion of their director's fees for their service during the third and fourth quarters of 2016. The shares were valued at \$0.25 per share, which was the closing price for the Company's common stock on the date of grant and had an aggregate grant date value of \$75,500 which had been accrued at December 31, 2016.

On April 3, 2017, the Company issued 400,000 shares of common stock in exchange for the extinguishment of \$87,600 of accounts payable balance for legal services. The shares were valued at \$0.22 per share which was the closing price of the shares on the date of the grant.

On April 6, 2017, the Company issued 411,490 shares of common stock to directors of the Company for payment of their noncash portion of their director's fees for the first quarter of 2017. The shares had an aggregate grant date value of \$66,250 and were valued at \$0.16 per share, which was the closing price for the Company's common stock on the date of grant.

Effective April 7, 2017 the Company entered into Subscription Agreements (the "Subscription Agreements") with three affiliated accredited investors, namely Joseph Heimbrock, Cormag Holdings, Ltd. and Osgar Holdings Ltd. (collectively, the "Investors") and sold 1,875,000 shares of the Company's common stock, par value \$0.001 per share at \$0.16 per share for an aggregate price of \$300,000, to the Investors in a non-public offering under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933, as amended. In connection with the Subscription Agreements, MVI Partners, LLC and the other holders of the Company's Series B Preferred Stock executed a Waiver of Rights of First Refusal.

Through MVI Partners, LLC, Mr. Heimbrock holds approximately 97% of the Company's outstanding shares of Series B Preferred Stock and Mr. Heimbrock is a member of the Company's Board of Directors. Cormag Holdings, Ltd. is owned by Mark D. Scott, the Company's Chairman of the Board of Directors and beneficially owns approximately 11.9% of the Company's outstanding shares of common stock after giving effect to the subscription. Osgar Holdings Ltd. is the beneficial owner of approximately 6.6% of the Company's outstanding shares of common stock after giving effect to the subscription. Hong Penner is the President and sole shareholder of Osgar Holdings Ltd. and she and her husband Brent Penner have loaned Kapok Limited Ventures, a British Columbia corporation ("Kapok") \$250,000 for purposes of financing the Company's Kapok Promissory Note.

### ***OTC Market Tier Change***

On April 14, 2017, the Company filed a Form 15 with the Securities and Exchange Commission terminating the registration of its common stock under Rule 12 g-4(a)(1) of the Securities Exchange Act of 1934. The Company transitioned to the OTC Pink Sheets – Current Information tier of the OTC Market on July 10, 2017. For more information regarding OTC tiers and the related reporting requirements, please visit [www.otcm Markets.com](http://www.otcm Markets.com).

### ***Preferred Stock***

As of June 30, 2017 and December 31, 2016, the Company had accrued contractual dividends of \$525,326 and \$342,233, respectively, related to the Series B Preferred Stock. On January 1, 2016, the Company issued 33,847 shares of Series B convertible preferred stock valued at approximately \$320,000, representing approximately \$0.66 in value per share of Series B Preferred Stock outstanding on that date, to the Series B convertible preferred stock holders as payment in kind for dividends.

## Stock Options

### Valuation

In applying the Black-Scholes option pricing model to stock options granted during the three and six months ended June 30, 2016, the Company used the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Risk free interest rate	n/a	1.25%	n/a	1.25% to 2.12%
Dividend yield	n/a	0.00%	n/a	0.00%
Expected volatility	n/a	200.0%	n/a	199.0% to 200.0%
Expected life in years	n/a	5.5	n/a	5.5 to 10.0

### Grants

The weighted average fair value of the stock options granted during the three and six months ended June 30, 2016 was \$0.29 and \$0.26 per share, respectively. There were no stock options granted during the six months ended June 30, 2017.

During the six months ended June 30, 2016, the Company granted options to consultants and directors of the Company to purchase an aggregate of 267,102 shares of common stock under a previously approved plan at exercise price ranging between \$0.24 and \$0.29 per share for an aggregate grant date value of \$68,380. The options vested on the grant date and have a term of ten years. There were no stock options granted in the six months ended June 30, 2017.

Stock-based compensation expense related to stock options was recorded in the condensed consolidated statements of operations as a component of selling, general and administrative expenses and totaled \$6,411 and \$12,823 for the three and six months ended June 30, 2017, respectively, and \$37,301 and \$112,439 for the three and six months ended June 30, 2016, respectively.

As of June 30, 2017, stock-based compensation expense related to stock options of \$23,469 remains unamortized which is being amortized over the weighted average remaining period of 1.0 years.

### Exercise

During the six months ended June 30, 2017, the Company received proceeds of \$7,999 from the exercise of options to purchase 66,660 shares of common stock. The aggregate intrinsic value of the options exercised was \$11,332.

### Summary

A summary of the stock option activity during the six months ended June 30, 2017 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, January 1, 2017	1,294,204	\$ 0.51		
Granted	-	-		
Exercised	(66,660)	0.12		
Forfeited	(136,173)	0.29		
Outstanding, June 30, 2017	1,091,371	\$ 0.56	7.2	\$ 110,913
Exercisable, June 30, 2017	737,538	\$ 0.82	6.6	\$ 35,327

The following table presents information related to stock options at June 30, 2017:

Range of Exercise Price	Options Outstanding		Options Exercisable		
	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$0.09 - \$0.12	\$ 0.10	718,334	\$ 0.10	8.0	228,334
\$0.25 - \$0.35	0.35	127,587	0.35	9.3	127,587
\$0.53 - \$1.60	0.87	188,450	0.87	3.8	188,450
\$4.10 - \$6.99	5.80	57,000	5.80	4.6	57,000
\$0.09 - \$6.99	\$ 0.56	<u>1,091,371</u>	\$ 0.94	6.6	<u>601,371</u>

### Warrants

#### Valuation

In applying the Black-Scholes option pricing model to stock warrants granted during the three and six months ended June 30, 2017 and 2016, the Company used the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Risk free interest rate	1.88%	n/a	1.88%	1.58%
Dividend yield	0.00%	n/a	0.00%	0.00%
Expected volatility	196.0%	n/a	196.0%	200.0%

#### Grants

The weighted average fair value of the stock warrants granted during the three months ended June 30, 2017 was \$0.225 per share. There were no stock warrants granted in the three months ended March 31, 2017. The weighted average fair value of the stock warrants granted during the six months ended June 30, 2016 was \$0.24 per share. There were no stock warrants granted during the three months ended June 30, 2016.

Stock-based compensation expense related to warrants for both the three and six months ended June 30, 2017 was \$7,100 and was recorded in the condensed consolidated statements of operations as interest expense. There was no stock-based compensation expense related to warrants recorded in the three and six months ended June 30, 2016. As of June 30, 2017, there was no unamortized stock-based compensation expense related to warrants.

A summary of the stock warrant activity during the six months ended June 30, 2017 is presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Contractual Term In Years</b>	<b>Aggregate Intrinsic Value</b>
Outstanding, January 1, 2017	7,806,118	\$ 0.30		
Granted	35,000	0.23		
Exercised	-	-		
Forfeited	-	-		
Outstanding, June 30, 2017	<u>7,841,118</u>	<u>\$ 0.30</u>	<u>1.9</u>	<u>\$ 23,620</u>

The following table presents information related to stock warrants at June 30, 2017:

<b>Range of Exercise Price</b>	<b>Warrants Outstanding</b>		<b>Warrants Exercisable</b>		
	<b>Weighted Average Exercise Price</b>	<b>Outstanding Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Contractual Term In Years</b>	<b>Exercisable Number of Warrants</b>
\$0.15 - \$0.25	\$ 0.25	2,151,120	\$ 0.25	1.3	2,151,120
\$0.30 - \$0.35	0.30	5,659,998	0.30	2.2	5,659,998
\$4.95	4.95	30,000	4.95	0.3	30,000
\$0.09 - \$4.95	\$ 0.30	<u>7,841,118</u>	\$ 0.30	1.9	<u>7,841,118</u>

## 7. Commitments and Contingent Liabilities

### *Operating Leases*

The Company is a party to a lease agreement for approximately 28,500 square feet of office and storage space with an entity. On March 15, 2016, the Company entered into an amendment of the lease agreement which extended the lease for an additional three years. The amended monthly lease rate will be \$6,649 in 2017, \$6,886 in 2018 and \$7,124 in 2019. The lease expires on December 31, 2019. The Company accounts for rent expense using the straight-line method of accounting, deferring the difference between actual rent due and the straight-line amount. Deferred rent payable of \$1,425 and \$0 as of June 30, 2017 and December 31, 2016, respectively, has been included in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

On June 7, 2013, the Company signed a three-year lease for \$1,000 per month to house an office, pharmacy as well as inventory in Lawrenceburg, IN. On July 8, 2013, the parties agreed to extend the lease for two additional years, such that the new termination date is now June 7, 2018. On January 14, 2014, the Company closed and vacated the Lawrenceburg facility. The Company is currently in discussions with the Landlord regarding termination of the lease related to the building. The present value of the remaining lease payments of \$51,665 is reflected as a component of accrued expenses and other liabilities on the condensed consolidated financial statements as of June 30, 2017.

The aggregate future minimum lease payments for operating leases, excluding renewal periods, as of June 30, 2017 were as follows:

	<u>Amount</u>
2017	\$ 39,892
2018	82,633
2019	85,482
	<u>\$ 208,007</u>

During the three and six months ended June 30, 2017, the Company recorded aggregate rent expense of \$21,241 and \$50,000, respectively, and \$18,564 and \$38,838 during the three and six months ended June 30, 2016, respectively.

### ***Litigation***

In the ordinary course of business, we may become subject to lawsuits and other claims and proceedings that might arise from litigation matters or regulatory audits. Such matters are subject to uncertainty and outcomes are often not predictable with assurance.

Taft Stettinius & Hollister LLC (“Taft”) filed a complaint against the Company on May 13, 2016 in the Hamilton County Court of Common Pleas, Case No. A1602800, alleging the Company owes legal fees and costs in the amount of \$935,392, together with accrued prejudgment interest. The Company answered the complaint, denying the material allegations therein, and asserted several affirmative defenses, including excessive legal fees and charges, unauthorized and improper fees, and related defects in performance by Taft. The case remains pending and it is currently set for a jury trial on October 23, 2017. Taft filed a motion for summary judgment on its claims, which the Company will oppose. The Company and Taft have been engaged in various settlement discussions and negotiations during the past six months without success. The outcome of this disputed claim is uncertain. A judgment against the Company in the full amount of the claim, plus accrued prejudgment interest, could have a material adverse impact on the financial conditions and/or operations.

### **8. Concentrations**

During the three months ended June 30, 2017, three vendors represented 33%, 26% and 15% of total inventory purchases and 33%, 23% and 14% of total inventory purchases for the six months ended June 30, 2017. During the three months ended June 30, 2016, three vendors represented 45%, 19% and 18% of total inventory purchases and 47%, 17% and 16% of total inventory purchases for the six months ended June 30, 2016.

As of June 30, 2017 and December 31, 2016, the Company has included \$935,392, in its accounts payable-trade in the consolidated balance sheets related to amounts in litigation. See Note 7 - Commitments and Contingent Liabilities for additional information. Excluding this amount, no Company supplier was owed an amount greater than 10% of the Company’s accounts payable balance.

### **9. Subsequent Events**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed.

On July 10, 2017, the Company entered into an Employment and Change of Control Agreement (the “Employment Agreement”) with Joseph B. Peters. The terms of the Employment Agreement became effective on April 11, 2017, and include the titles and positions of Interim Chief Executive Officer and President and an initial base salary of \$104,000 per year, subject to certain bonus and severance provisions.

On July 24, 2017, the Company’s board of directors elected Joseph B. Peters, the Company’s President, and Chief Executive Officer, to the Company’s board of directors. Mr. Peters will not receive compensation for his service to the Board of Directors outside of the Employment and Change of Control Agreement the company has previously reported.

## **10) Issuer Certification**

### **CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Joseph Peters, certify that:

1. I have reviewed this quarterly disclosure statement of HealthWarehouse.com, Inc.
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 3, 2017 /s/ Joseph B. Peters

Joseph B. Peters  
Interim President and Chief Executive Officer

### **CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Joseph Peters, certify that:

1. I have reviewed this quarterly disclosure statement of HealthWarehouse.com, Inc.
2. Based on my knowledge, this disclosure statement 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; and
3. Based on my knowledge, the financial statements, and other financial information included in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 3, 2017 /s/ Joseph B. Peters

Joseph B. Peters  
Interim President and Chief Executive Officer  
(Principal Financial Officer)