

HEALTHWAREHOUSE.COM, INC.

A Delaware Corporation

7107 Industrial Road
Florence, KY 41042
(800)748-7001

www.healthwarehouse.com
support@healthwarehouse.com

SIC Code: 5912 - Drugstores and Proprietary Stores

Annual Report

For the year ended December 31, 2025

As of December 31, 2025, the number of shares outstanding of our Common Stock was 56,750,396.

As of September 30, 2025, the number of shares outstanding of our Common Stock was 56,532,216.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934).

Yes No

Indicate by check mark if whether the company's shell status has changed since the previous reporting period.

Yes No

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period.

Yes No

We previously were a shell company, therefore the exemption offered pursuant to Rule 144 is not available. Anyone who purchased securities directly or indirectly from us or any of our affiliates in a transaction or chain of transactions not involving a public offering cannot sell such securities in an open market transaction.

HEALTHWAREHOUSE.COM, INC.

Annual Report

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PART A – GENERAL COMPANY INFORMATION

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

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

Formerly Ion Networks, Inc., formed on August 5, 1998.

Name changed to Clacendix, Inc. on January 3, 2008.

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

2) Address of issuer’s principal executive offices and issuer’s place of business.

7107 Industrial Road, Florence, KY 41042

Phone: (800)748-7001

www.healthwarehouse.com; www.healthwarehouse.pharmacy

Investor Relations contact: Daniel Seliga, CFO, dseliga@healthwarehouse.com, (800)748-7001

Check box if principal executive office and the principal place of business are the same address

3) Jurisdiction and date of issuer’s incorporation

The Company is a Delaware corporation, organized on August 5, 1998. The Company is currently active and in good standing.

PART B – SHARE STRUCTURE

4) Title and class of securities outstanding.

Title and Class of Security	Trading Symbol	CUSIP
Common Stock	HEWA	42227G202
Series B Convertible Preferred Stock	Not Applicable	Not Applicable
Series C Convertible Redeemable Preferred Stock	Not Applicable	Not Applicable

5) Par or stated value and description of security.

Title and Class of Security	Par Value	Description
Common Stock	\$0.001	One (1) voting right per share; eligible for dividends if and when declared; no preemptive rights.
Convertible Preferred Stock – Series B	\$0.001	Issued at \$9.45 per share in November 2010. Voting rights equal to one vote for each common share equivalent. Liquidation preference equal to \$8,311,373 at December 31, 2025, which is the sum of the original purchase price of \$3,451,754, the value of shares issued as payment-in-kind dividends of \$1,437,289 and accrued dividends of \$3,422,330. Receives preferred dividends equal to 7% of all outstanding shares in either cash or payment-in-kind. Convertible at option of holder at any time at the dilution adjusted conversion price (\$0.64 per share as of December 31, 2025).
Convertible redeemable Preferred Stock – Series C	\$0.001	Issued at \$100 per share on October 11, 2011. One (1) voting right per share. Liquidation value of \$650,000 on December 31, 2025. The holder can exercise redemption rights at \$100 per share after January 1, 2028. Convertible at option of holder into common shares at a conversion price of 80% of the 30-day weighted average closing share price which was \$0.10 per share at December 31, 2025 (limited to 2,500 shares per quarter). Mandatory conversion if 60-day weighted average closing share price of the common stock is \$0.45 per share or above and minimum 60-day trading volume of at least 500,000 shares.

6) Number of shares or total amount of the securities outstanding for each class of securities authorized.

Security information as of (a) December 31, 2025 and (b) December 31, 2024:

Title and Class of Security	Total Shares Authorized	Total Shares Outstanding	Public Float	Beneficial Shareholders owning >= 100 shares	Shareholders of Record
Common Stock	(a) 175,000,000 (b) 175,000,000	(a) 56,750,396 (b) 55,614,036	(a) 12,199,120 (b) 12,859,817	(a) 180 (b) 177	(a) 238 (b) 242
Preferred Stock – Series B	(a) 790,000 (b) 790,000	(a) 517,359 (b) 517,359	(a) -0- (b) -0-	(a) 2 (b) 2	(a) 2 (b) 2
Preferred Stock – Series C	(a) 10,000 (b) 10,000	(a) 6,500 (b) 6,500	(a) -0- (b) -0-	(a) 2 (b) 2	(a) 2 (b) 2

On April 14, 2017, HEWA 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. As of this date, the Company has no plans to reregister the common stock under the Securities Exchange Act of 1934.

In October 2020, at the annual meeting of stockholders of the Corporation, the stockholders approved an amendment to the Corporation's Certificate of Incorporation to increase the number of authorized shares of common stock that may be issued to 125,000,000, which was effective on October 9, 2020. At the meeting, the stockholders also approved an amendment to the Corporation's Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a ratio of 1-for-50 and to decrease the number of authorized shares of common stock in proportion to the reverse stock split. However, the Board of Directors has not yet determined if or when to effect the reverse stock split.

In July 2022, at the annual meeting of stockholders of the Company, the stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock that may be issued to 175,000,000, which was effective on July 28, 2022.

7) Transfer Agent:

Equiniti Trust Company, LLC
55 Challenger Road, Floor 2
Ridgefield Park, NJ 07660
Phone: (800) 937-5449

Is the Transfer Agent registered under the Exchange Act? Yes: No:
Regulatory authority: Securities and Exchange Commission

PART C – BUSINESS INFORMATION

8) Description of Issuer's business operations:

HealthWarehouse.com, Inc. (the "Company"), a Delaware corporation, is an online pharmacy, licensed and authorized to sell and deliver prescriptions in all 50 United 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 over-the-counter ("OTC") products over the Internet. HealthWarehouse.com is currently 1 of 90 National Association of Boards of Pharmacy ("NABP") accredited digital pharmacies. In addition, the Company also provides fulfillment of prescription medication, medical devices and other services to customers of other healthcare providers including manufacturers and telemedicine and online services companies ("Partner Services"). The Company's primary SIC Code is 5912 - Drugstores and Proprietary Stores. The Company's fiscal year end is December 31.

We process all orders from our distribution center in Florence, Kentucky, 15 miles south of Cincinnati, Ohio. Processing from this location allows us to reach up to 80% of the U.S. population by standard ground shipping in two days from shipment date. To maintain high customer satisfaction ratings and quality control over our entire process, we avoid drop shipping orders. Due to the relatively short lead time required to fill orders for our products, usually 24 to 48 hours, order backlog has not proven material to our business.

Our customer support representatives operate from our call center in Florence, Kentucky, available 8 a.m. to 8 p.m. Eastern Time, Monday through Friday, and 9 a.m. to 5 p.m. Eastern Time on Saturday. Customers can contact us via e-mail, online chat, fax, and telephone, plus our online Help Center outlines store policies and provides answers to customers' frequently asked questions.

Historical Background

In March 2007, Hwareh.com, Inc. (“Old HW”), a Delaware corporation formerly named HealthWarehouse.com, Inc., was incorporated to carry on the business of selling OTC products. In November 2007, we began to develop the proprietary software necessary for our business, and in February 2008, we successfully launched our website (www.healthwarehouse.com) running on our own proprietary software. In March 2008, as part of our expansion into prescription drugs, we completed construction of a full-service licensed pharmacy within our warehouse in Loveland, Ohio. This pharmacy passed inspection by the Ohio State Pharmacy Board in April 2008. On August 1, 2011, the Company transferred its operations to the current facility located in Florence, Kentucky.

In August 2009, Old HW completed a reverse merger into Clacendix, Inc., a shell company formerly known as Ion Networks, Inc., a Delaware corporation formed on August 5, 1998. As of the date of the reverse merger, the Company no longer operated as a shell company, changed its corporate name to HealthWarehouse.com, Inc. and changed the name of its subsidiary to Hwareh.com, Inc.

The wholly-owned subsidiaries of HealthWarehouse.com, Inc. are Hwareh.com, Inc., Hocks.com, Inc., ION Holding NV, ION Belgium NV. Hocks.com, Inc., ION Holding NV and ION Belgium NV are inactive subsidiaries.

Reverse stock split

In October 2020, at the annual meeting of stockholders of the Corporation, the stockholders approved an amendment to the Company’s Certificate of Incorporation to effect a reverse stock split of the Company’s common stock at a ratio of 1-for-50 and to decrease the number of authorized shares of common stock in proportion to the reverse stock split. However, the Board of Directors has not yet determined if or when to effect the reverse stock split.

Government Regulation

Federal and state laws and regulations govern many aspects of our business and are specific to pharmacies and the sale of OTC drugs. Our pharmacy passed inspection by the Kentucky Board of Pharmacy and we are presently licensed as a pharmacy authorized to dispense prescription medications to patients in 50 states and the District of Columbia. We ship our non-prescription products to all 50 states, U.S. Territories, and APO/FPO military and embassy addresses.

We believe the Company is in substantial compliance with all existing legal and regulatory requirements material to the operation of our business and have standard operating procedures and controls in place designed to assist in ensuring compliance with existing contractual requirements and state and federal law. We diligently monitor and audit our adherence to these procedures and controls and take prompt corrective and disciplinary action when appropriate. However, we cannot predict how courts or regulatory agencies may interpret existing laws or regulations or what additional federal or state legislation or regulatory initiatives may be enacted in the future regarding healthcare or the pharmacy industry, and the application of complex standards to the operation of our business creates areas of uncertainty.

In addition, although we presently do not accept insurance reimbursement nor do we participate in federal and state programs such as Medicare and Medicaid, this may change in the future. If in the future we do accept reimbursement from commercial or governmental payors, we would be subject to extensive government regulation including numerous state and federal laws and corresponding regulations directed at preventing fraud and abuse and regulating reimbursement.

Among the federal and state laws and regulations that currently affect or may reasonably affect in the future aspects of our business are the following:

Regulation of Our Pharmacy Operations

The practice of pharmacy is generally regulated at the state level by state boards of pharmacy. Our pharmacy must be licensed in the state in which it is located. In some states, regulations require compliance with standards promulgated by the United States Pharmacopeia (USP). The USP creates standards in the packaging, storage and shipping of pharmaceuticals. Also, many of the states where we deliver pharmaceuticals, including controlled substances, have laws and regulations that require non-resident pharmacies to register with that state's board of pharmacy or similar regulatory body. In addition, some states have proposed laws to regulate online pharmacies; we may be subject to this legislation if passed. Furthermore, if our pharmacy dispenses durable medical equipment items, such as infusion pumps, that bear a federal legend requiring dispensing pursuant to a prescription, we would also be regulated by applicable state and federal durable medical equipment laws.

Federal agencies further regulate our pharmacy operations. Pharmacies must register with the Drug Enforcement Administration (DEA) and individual state-controlled substance authorities in order to dispense controlled substances. We sell controlled substances and therefore require a DEA license and maintain said DEA license. In addition, the FDA inspects facilities in connection with procedures to effect recalls of prescription drugs. The Federal Trade Commission (FTC) also has requirements for interstate sellers of goods. The U.S. Postal Service (USPS) has statutory authority to restrict the transmission of drugs and medicines through the mail to a degree that could have an adverse effect on our mail-order operations. The USPS historically has exercised this statutory authority only with respect to controlled substances. If the USPS restricts our ability to deliver drugs through the mail, alternative means of delivery are available to us. However, alternative means of delivery could be significantly more expensive. The Department of Transportation has regulatory authority to impose restrictions on drugs inserted in the stream of commerce. These regulations generally do not apply to the USPS and its operations.

Additionally, under the Omnibus Budget Reconciliation Act of 1990 and related state and local regulations, our pharmacists are required to offer counseling to our customers about medication, dosage, delivery systems, common side effects, adverse effects or interactions and therapeutic contraindications, proper storage, prescription refill and other information deemed significant by the pharmacists. We are also subject to requirements under the Controlled Substances Act and federal DEA regulations, as well as related state and local laws and regulations, relating to our pharmacy operations, including registration, security, recordkeeping and reporting requirements related to the purchase, storage and dispensing of controlled substances, prescription drugs and some OTC drugs.

“Compendial standards,” which can also be called “official compendium,” means the standards for drugs related to strength, purity, weight, quality, labeling and packing contained in the USP, official National Formulary, or any supplement to any of them. Under the Food, Drug and Cosmetic Act of 1938, a drug recognized by the Homeopathic Pharmacopeia of the United States must meet all compendial standards and labeling requirements contained therein, or it will be considered adulterated (for example, lacking appropriate strength, quality or purity; or containing poisonous or unsanitary ingredients) or misbranded (for example, having a false or misleading label; or a label containing an inaccurate description of contents). If we add homeopathic remedies to our product offerings which we currently do not offer, we will be required to comply with the Food, Drug and Cosmetic Act. The distribution of adulterated or misbranded homeopathic remedies or other drugs is prohibited under the Food, Drug and Cosmetic Act, and violations could result in substantial fines and other monetary penalties, seizure of the misbranded or adulterated items, and/or criminal sanctions.

We also are required to comply with the Dietary Supplement Health and Education Act (DSHEA) when selling dietary supplements and vitamins. The DSHEA generally governs the production, sale and marketing (including labeling) of dietary supplements, and it requires reporting to the FDA of certain adverse events regarding dietary supplements.

We believe that our operations have the appropriate licenses required under the laws of the states in which they are located, and that we conduct our pharmacy operations in accordance with the laws and regulations of these states.

Health Management Services Regulation

All states regulate the practice of medicine and require licensing under applicable state law. It is not our intent to practice medicine and we have attempted to structure our website and our business to avoid violation of state licensing requirements. However, the application of this area of the law to digital services such as ours is not well established and, accordingly, a state regulatory authority could at some time allege that some portion of our business violates these statutes. Any such allegation could harm our business. Further, any liability based on a determination that we engaged in the unlawful practice of medicine may be excluded from coverage under the terms of our general liability insurance policy.

Consumer Protection Laws

Most states have consumer protection laws designed to ensure that information provided to consumers is adequate, fair and not misleading. We believe that our practices conform to the requirements of state consumer protection laws. However, we may be subject to further scrutiny under these laws as they are often interpreted broadly.

Regulation Relating to Data Transmission and Confidentiality of Patient Identifiable Information

Dispensing of prescriptions and management of prescription drug benefits require the ability to utilize patient-specific information. Government regulation of the use of patient identifiable information has grown substantially over the past several years. At the federal level, Congress enacted the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which extensively regulates the transmission, use and disclosure of health information by all participants in healthcare delivery, including physicians, hospitals, insurers and other payers. To the extent that our pharmacy operations engage in certain electronic transactions (including claims for reimbursement by third-party payors), we may be a covered entity which is directly subject to these requirements. Additionally, regulation of the use of patient-identifiable information is likely to increase. Many states have passed or are considering laws addressing the use and disclosure of health information. These proposals vary widely, some relating to only certain types of information, others to only certain uses, and yet others to only certain types of entities. These laws and regulations have a significant impact on our operations, products and services, and compliance with them is a major operational requirement. Regulations and legislation that severely restrict or prohibit our use of patient identifiable information could materially adversely affect our business.

Sanctions for failing to comply with HIPAA standards include criminal and civil penalties. If we are found to have violated any state or federal statute or regulation with regard to the confidentiality, dissemination or use of patient medical information, we could be liable for significant damages, fines or penalties.

Fraudulent Billing, Anti-Kickback, Stark, Civil Monetary Penalties and False Claims Laws and Regulations

Our operations may in the future participate in federal and state programs such as Medicare and Medicaid. If we do, we would be subject to extensive government regulation including numerous state and federal laws and corresponding regulations directed at preventing fraud and abuse and regulating reimbursement. The government's Medicare and Medicaid regulations are complex and sometimes subjective and therefore may require our management's interpretation. If we were to participate in federal and state programs such as Medicare and Medicaid, our compliance with Medicare and Medicaid regulations may be reviewed by federal or state agencies, including the Department of Health and Human Services' (HHS) Office of the Inspector General (OIG), the Centers for Medicare and Medicaid Services (CMS), the Department of Justice (DOJ), and the FDA. To ensure compliance with Medicare, Medicaid and other regulations, government agencies conduct periodic audits to ensure compliance with various supplier standards and billing requirements.

Similarly, regional health insurance carriers routinely conduct audits and request patient records and other documents to support claims submitted for payment.

Federal law prohibits the payment, offer, receipt or solicitation of any remuneration that is knowingly and willfully intended to induce the referral of Medicare, Medicaid or other federal healthcare program beneficiaries for the purchase, lease, ordering or recommendation of the purchase, lease or ordering of items or services reimbursable under federal healthcare programs. These laws are commonly referred to as anti-remuneration or anti-kickback laws. Several states also have similar laws, known as “all payor” statutes, which impose anti-kickback prohibitions on services covered by any third-party payor (whether or not a federal healthcare program). Anti-kickback laws vary between states, and courts have rarely interpreted them. If in the future we accept third-party reimbursement, we may be more explicitly subject to these laws.

Courts, the OIG and some administrative tribunals have broadly interpreted the federal anti-kickback statute and regulations. Courts have ruled that a violation of the statute may occur even if only one of the purposes of a payment arrangement is to induce patient referrals or purchases. Should we enter the government payor sector, it is possible that our current practices in the commercial sector may not be appropriate in the government payor sector.

The Ethics in Patient Referrals Law (Stark Law) prohibits physicians from making a referral for certain Medicare-covered health items or services if they, or their family members, have a financial relationship with the entity receiving the referral. No bill may be submitted in connection with a prohibited referral. Violations are punishable by civil monetary penalties upon both the person making the referral and the provider rendering the service. Such persons or entities are also subject to exclusion from Medicare and Medicaid. Many states have adopted laws similar to the Stark Law, which restrict the ability of physicians to refer patients to entities with which they have a financial relationship.

The Federal False Claims Act prohibits the submission of a false claim or the making of a false record or statement in order to secure a reimbursement from a government-sponsored program. In recent years, the federal government has launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws. Civil monetary penalties may be assessed for many types of conduct, including conduct that is outlined in the statutes above and other federal statutes in this section. Under the Deficit Reduction Act of 2005 (DRA), states are encouraged to pass state false claims act laws similar to the federal statute.

Sanctions for fraudulent billing, kickback violations, Stark Law violations or violations of the False Claims Act include criminal and civil penalties. If we do accept third-party reimbursement and/or participate in federal payor programs in the future and are found to have violated any state or federal kickback, Stark Law or False Claims Act law, we could be liable for significant damages, fines or penalties and potentially be ineligible to participate in federal payor programs.

Legislation and Regulation Affecting Drug Prices and Potentially Affecting the Market for Prescription Benefit Plans and Reimbursement for Durable Medical Equipment

The federal government has increased its focus on methods drug manufacturers employ to develop pricing information, which in turn is used in setting payments under the Medicare and Medicaid programs. One element common to many payment formulas, the use of “average wholesale price” (AWP) as a standard pricing unit throughout the industry, has been criticized as not accurately reflecting prices actually charged and paid at the wholesale or retail level. The DOJ is conducting, and the House Commerce Committee has conducted, an investigation into the use of AWP for federal program reimbursement, and whether the use of AWP has inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating reimbursement of certain drugs by the Medicare and Medicaid programs.

The DRA revised the formula used by the federal government to set the Federal Upper Limit (FUL) for multiple source drugs by adopting 250 percent of the average manufacturer's price (AMP) without regard to customary prompt pay discounts to wholesalers for the least costly therapeutic equivalent. On July 17, 2006, HHS published a Final Rule for the Medicaid Prescription Drug Program implementing the DRA in which AMP was defined to exclude discounts and rebates to pharmacy benefit managers and include sales to mail-order and specialty pharmacies in the AMP calculation by manufacturers.

These proposals and other legislative or regulatory adjustments that may be made to the program for reimbursement of drugs by Medicare and Medicaid, if implemented, could affect our ability to negotiate discounts with pharmaceutical manufacturers. They could also impact the reimbursement we may receive from government payors in the future should we choose to participate in such programs. In addition, they may affect our relationships with health plans. In some circumstances, they might also impact the reimbursement that we would receive from managed care organizations that contract with government health programs to provide prescription drug benefits or otherwise elect to rely on the revised pricing information. Furthermore, private payers may choose to follow the government's example and adopt different drug pricing bases. This could affect our ability to negotiate with plans, manufacturers and pharmacies regarding discounts and rebates.

Relative to our durable medical equipment operations, The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (DIMA), established a program for the competitive acquisition of certain covered items of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS). Diabetes testing supplies, including test strips and lancets, which are commonly supplied via mail-order delivery, are subject to the competitive acquisition program. Only qualified suppliers that meet defined participation standards specified in the final rule will be permitted to engage in the competitive acquisition program. Mail-order diabetes testing supplies may be subject to a national or regional program, which would require mail-order suppliers to bid on supplying certain DMEPOS items.

Medicare Part D and Part B; State Prescription Drug Assistance Programs

The DIMA also offers far-reaching changes to the Medicare program. The DIMA established a new Medicare Part D outpatient prescription drug benefit for over 40 million Americans who are eligible for Medicare. Qualified beneficiaries, including senior citizens and disabled individuals, have had the opportunity to enroll in Medicare Part D since January 1, 2006.

In addition, many states have expanded state prescription drug assistance programs to increase access to drugs by those currently without coverage and/or supplement the Medicare Part D benefit of those with coverage to offer options for a seamless benefit. In accordance with applicable CMS requirements, to participate we may have to enter into agreements with a number of state prescription drug assistance programs and collaborate to coordinate benefits with Medicare Part D plans.

If we participate in these state and/or federal payor programs in the future, we will have to comply with the applicable conditions of participation for such plans, may be subject to competitive bidding requirements under such plans, and may be subject to adverse pricing limitations imposed by such plans (including the DRA limits described above).

Industry Standards for Pharmacy Operations

The National Committee on Quality Assurance, the American Accreditation Health Care Commission (known as URAC), the Joint Commission on Accreditation of Healthcare Organizations and other quasi-regulatory and accrediting bodies have developed standards relating to services performed by pharmacies, including mail order, formulary, drug utilization management and specialty pharmacy. While the actions of these bodies do not have the force of law, pharmacy benefit managers and many clients for pharmacy benefit manager services seek certification from them, as do other third parties. These bodies may influence the federal government or states to adopt requirements or model acts that they promulgate. The federal

government and some states incorporate accreditation standards of these bodies, as well as the standards of the National Association of Insurance Commissioners and the National Association of Boards of Pharmacy, a coalition of state pharmacy boards, into their drug utilization review regulation. Future initiatives of these bodies are uncertain and resulting standards or legislation could impose restrictions on us in a manner that could significantly impact our business.

Regulation of Compounded GLP-1 medications

Due to the increased popularity and demand for branded GLP-1 medications, the Food and Drug Administration (“FDA”) determined in 2022 that there was a shortage of the semaglutide and tirzepatide injection products in the US market. During such shortages, the FDA allows an essential copy product to be manufactured and dispensed by compounding pharmacies under section 503A and 503B of the FD&C Act until the drug manufacturer demonstrates the product availability and manufacturing capacity meets the present and projected national demand. A majority of the Company’s revenue growth in the Partner Services business during 2024 and 2025 was related to the dispensing of the compounded GLP-1 products manufactured by 503B pharmacies and elimination of this category of products would have a significant impact on our Partner Services business.

In December 2024, the FDA determined that the shortage of branded tirzepatide injection products had been resolved and that the compounded essential copy products of the 503A and 503B pharmacies may not be compounded, distributed or dispensed after February 18, 2025 by the 503A pharmacies and after March 19, 2025 for the 503B pharmacies. In February 2025, the FDA determined that the shortage of branded semaglutide injection products had been resolved and that the compounded essential copy products of the 503A and 503B pharmacies may not be compounded, distributed or dispensed after April 22, 2025 by the 503A pharmacies and after May 22, 2025 for the 503B pharmacies. The Company stopped dispensing the compounded GLP-1’s during the first quarter of 2026. Other less popular GLP-1 products including Dulaglutide injection and Liraglutide injection remain in shortage. Many of our Partner Services customers are expanding their product offerings in order to serve the needs of this important market while remaining compliant with the FDA ruling.

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. Our management does not presently expect that any current outstanding matters will have a material adverse effect on the Company’s consolidated financial condition or consolidated results of operations. We are not currently involved in any pending or threatened material litigation or other material legal proceedings nor have we been made aware of any penalties from regulatory audits, except as described below.

On March 31, 2023, a class action complaint was filed in the United States District Court, Southern District of California against the Company (Shahnaz Zarif, individually and on behalf of others similarly situated, Plaintiff, v. Hwareh.com, Inc., Defendant). The Complaint alleges the Company conducted the unauthorized interception, collection, recording and dissemination of communications and data in violation of the Federal Wiretap Act, 18 U.S.C. Section 2510 et seq, the California Invasion of Privacy Act, Cal. Pen. Code Section 631; the California Confidentiality of Medical Information Act, Cal. Civ. Code Section 56, et seq; and the California Consumer Privacy Act Cal. Civ. Code Section 1798.100, et seq. The Plaintiff sought to certify several classes of similarly situated persons and filed suit for, among other things, injunctive relief, statutory monetary damages and attorneys’ fees. On August 12, 2025, the parties entered into a settlement agreement whereby the Plaintiff agreed to dismiss the case upon receipt of a nominal settlement amount from the Company. The complaint was dismissed on October 14, 2025.

On June 16, 2025, a complaint was filed in the Supreme Court of the State of New York, County of Kings against the Company (Juan Santana, individually, Plaintiff v. Hwareh.com, Inc., Defendant). The Plaintiff

contends that the Company has failed or is failing to comply with the applicable laws prohibiting the discrimination against people who are blind and / or visually impaired affecting their capacity to use the Company's website, alleging violations of (i) the New York State Human Rights Law (N.Y. Exec. Law section 290), (ii) the New York State Civil Rights Law (Civil Rights Law Section 40), and (iii) the New York City Human Rights Law (N.Y.C. Admin. Code Section 8-101). The Plaintiff is seeking, among other things, (i) statutory money damages, actual damages and punitive damages (ii) an injunction requiring the Company to have the website fully compliant with the laws stated above and (iii) attorneys' fees and other costs. On October 7, 2025, the parties entered into a settlement agreement whereby the Plaintiff agreed to dismiss the case upon receipt of a nominal settlement amount from the Company. The complaint was dismissed on October 15, 2025.

Employees

As of March 1, 2026, we employed 86 full-time employees and 19 part-time employees. None of our employees are subject to a collective bargaining agreement and we believe that relations with our employees are good. The Company, from time to time, also utilizes independent contractors to supplement its workforce.

9) Description of Issuer's products and services:

The Company sells directly to individual consumers who purchase prescription medications and OTC products over the Internet and through our onsite call center. The Company offers over 6,200 prescription medications and over 6,000 OTC products. The Company also provides fulfillment of prescription medication, medical devices and other services to customers of other healthcare providers and manufacturers.

Customers

Direct-to-consumer (B2C): We sell directly to individual consumers who purchase prescription medications and OTC products and medical devices over the Internet and through our onsite call center. B2C net sales represented 39% and 22% of total net sales in 2024 and 2025, respectively. Uninsured consumers were predominantly our customers in our early years, while over 90% of our customers carry health insurance when purchasing from us today. Rising insurance co-pays and high deductible plans due to the Affordable Care Act have caused more consumers to pay out-of-pocket. The Company is not dependent on any one or a few B2C customers.

Partner Services: We provided fulfillment of prescription and over-the-counter medication, medical devices and other services to customers of other healthcare providers and manufacturers. We bill the partner services customer on a daily, weekly, bimonthly or monthly basis for the services provided including fulfillment fees, product cost and shipping. Credit terms with partner services customers range from prepay to Net 45 days. Partner services represented 61% and 78% of net sales in 2024 and 2025, respectively, and one customer represented 38% of net sales during 2024 and three customers represented 57% of sales during 2025.

Suppliers

There are a number of suppliers available for the pharmaceutical and non-pharmaceutical products that we sell. Our principal suppliers are BPI Labs, Amerisource Bergen, TopRx, Wellgistics, Anda, Elite Laboratories, Cardinal Health, and Keysource, as well as many direct manufacturers like Amneal, Prasco, Inspire, HPS Rx and National Vitamin Company. While we source our supplies from a limited number of suppliers, with two representing approximately 84% of purchases in 2025, we do not believe that our business is dependent on any one supplier since most of the products that we sell are readily available from a number of alternative suppliers. Even if a significant supplier were to no longer be available to us, we believe that we could source replacement product through one or more alternative suppliers without having a significant effect on our business.

Competition

The market for prescription and OTC health products is intensely competitive and highly fragmented. However, there are fewer competitors focusing on the out-of-pocket prescription market. Our competitors in

the segment include chain drugstores, mail order pharmacies, pharmacy benefits managers (PBMs), mass market retailers, warehouse clubs, supermarkets and other online retailers. Many of these potential competitors in the market are also established organizations with greater access to resources and capital. In addition, we face competition from foreign online pharmacies that can often sell drugs to U.S. residents at a lower price because they do not comply with U.S. pharmacy regulations, are not subject to U.S. regulatory oversight, or both. We also compete with Internet portals and online service providers that feature shopping services and with other online or mail-order retailers that offer products similar or the same to those that we sell.

We believe that the principal competitive factors in our market includes brand awareness and preference, company credibility, product selection and availability, convenience, price, actual or perceived value, website features, functionality and performance, ease of purchasing, customer service, privacy, quality and quantity of information supporting purchase decisions (such as product information and reviews), reliability and speed of order shipment.

Trademarks

We filed for a trademark on the name “HealthWarehouse.com” on August 14, 2007 with the U.S. Patent and Trademark Office, which trademark was granted with a registration date of May 19, 2009. We also rely on trade secret law and contractual restrictions to protect our intellectual property, and we do not intend to seek patent or copyright protection for our intellectual property at this time.

10) Issuer’s Facilities

HealthWarehouse.com, Inc.’s corporate headquarters is located at 7107 Industrial Road, Florence, Kentucky, 41042 which also houses its inventory, 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, 2029. The monthly lease rate ranges between \$18,640 and \$21,806 during the term of the lease. See Footnote 9 – Commitments and Contingencies to the Company’s consolidated financial statements in Part II for more details.

PART D – MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

11) Officers, Directors and Control Persons

The following table sets forth certain information with respect to the directors and executive officers of the Company as of December 31, 2025.

Name	Title	2025 Compensation (1)	Beneficial Ownership
Joseph B. Peters	President and Chief Executive Officer, Director	Cash: \$266,000 Options: \$71,712 (1,000,000 shares exercisable at \$0.08 per share)	Common: 708,145 shares Options (vested): 4,834,020 shares Warrants: 27,610 shares Convertible Note of \$50,000 convertible into 588,235 shares; Series C Preferred: 3,250 shares convertible into 3,250,000 common shares: Beneficial Ownership: 14.4%
Daniel J. Seliga	Chief Financial Officer	Cash: \$257,000 Options: \$57,370 (800,000 shares exercisable at \$0.08 per share)	Common: 1,466,037 shares Options (vested): 4,266,400 shares Series C Preferred: 3,250 shares convertible into 3,250,000 shares: Beneficial Ownership: 14.0%
Tim Reilly	Director, Chairman	Cash: \$12,000 Stock: \$24,000 (259,090 shares at \$0.08 to \$0.11 per share) Options: \$40,000 (517,377 shares exercisable at \$0.08 to \$0.11 per share)	Common: 5,773,357 shares Options: 1,901,811 shares Warrants: 755,080 shares Convertible Note of \$1,400,000: convertible into 16,470,591 common shares Beneficial Ownership: 32.8%
Jack Britts	Director	Cash: \$12,000 Stock: \$24,000 (259,090 shares at \$0.08 to \$0.11 per share) Options: \$40,000 (517,377 shares exercisable at \$0.08 to \$0.11 per share)	Common: 1,393,280 shares Options: 1,901,811 shares Beneficial Ownership: 5.6%
Joseph Heimbrock	Director	Cash: \$12,000 Stock: \$24,000 (259,090 shares at \$0.08 to \$0.11 per share) Options: \$40,000 (517,377 shares exercisable at \$0.08 to \$0.11 per share)	Common: 2,649,730 shares Options: 1,932,539 shares Warrants: 868,728 shares Series B Preferred: 494,913 shares (convertible to 7,324,713 common shares) Beneficial Ownership: 19.1%
Sara Mannix	Director	Cash: \$12,000 Stock: \$24,000 (259,090 shares at \$0.08 to \$0.11 per share) Options: \$40,000 (517,377 shares exercisable at \$0.08 to \$0.11 per share)	Common: 919,793 shares Options: 1,753,991 shares Beneficial Ownership: 4.6%

(1) The value of the stock and options issued was based on the thirty-day weighted average closing share price as of the grant date. The value of the options was determined utilizing the Black-Scholes option pricing model.

Control Persons

The following individuals and entities are the beneficial owners of more than five percent (5%) of HEWA's Common Stock as of December 31, 2025, in addition to the officers and directors disclosed above. 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	Affiliation	Address	Number of shares owned	Share Class	Ownership Percentage of Class Outstanding	Beneficial Ownership
Cormag Holdings, LTD and Mark D. Scott	>5%	104 Falcon Ridge Drive, Winnipeg, Manitoba, Canada R3Y1X6	5,387,588	Common	9.5%	9.5%
Dr. Bruce Bedrick	>5%	5375 Monterey Circle #32, Delray Beach, FL 33484	3,900,000	Common	6.9%	6.9%
Lalit Dhadphale	>5%	182 Uccello Drive, Las Vegas, NV 89138	3,022,479	Common	5.3%	5.3%

Biographical Information of Executives and Directors

Joseph Peters, age 40, serves as Chief Executive Officer, President, and Director of HealthWarehouse.com. He was appointed Chief Executive Officer effective January 1, 2018, after serving as interim Chief Executive Officer and President beginning in April 2017. He joined the Company in 2012 and has held progressive leadership roles including Customer Service Manager, Human Resources Manager, and Vice President of Operations before assuming executive leadership. He has served on the Company's Board of Directors since July 24, 2017. He is a Certified Pharmacy Technician (CPhT) and brings deep operational expertise to the Company's regulated e-commerce platform. Mr. Peters also serves on the Board of Directors for the Better Business Bureau's Cincinnati chapter, supporting its mission to advance marketplace trust and ethical business practices. Prior to joining HealthWarehouse.com, Mr. Peters was Director of Operations at ToneRite, Inc., where he managed production, fulfillment, sales, and promotion. He earned a Bachelor of Science in Business Management and a Master's Degree in International Business from the University of Florida. Mr. Peters' business address is 7107 Industrial Road, Florence, KY 41042.

Daniel Seliga, Chief Financial Officer, age 60, became the Chief Financial Officer of the Company effective January 1, 2018. Mr. Seliga was formerly Chief Operating Officer and Chief Financial Officer of the Company from January 1, 2016 to October 9, 2016 and had provided financial and operational consulting services to HealthWarehouse.com since August 2013. Prior to joining the Company full time, Mr. Seliga was a Managing Director of Melrose Capital. From September 2010 to December 2012, he was General Manager and Business Manager for MVI Enterprises, the largest truck dealership network in Ohio. From November 1996 to July 2010, Mr. Seliga was the Chief Financial Officer and Vice President of Operations for Mae Holding Company, a privately held wholesale distributor of commercial construction materials and a retail home improvement company. Prior to 1996, Mr. Seliga served as a commercial and real estate lending officer for Bank of New York and PNC Bank. Mr. Seliga received an MBA in Finance from the University of Notre Dame and a BS in Accounting from Saint Vincent College. Mr. Seliga's business address is 7107 Industrial Road, Florence, KY 41042.

Tim Reilly, Chairman of the Board, age 62, is a business owner and investor with several business interests. He was elected to the Board in September 2019. Mr. Reilly is currently Chairman of MVI Enterprises, Inc., a holding company with interests in transportation, finance and real estate. He is also the founder and Managing Director of Melrose Capital Advisors LLC, a provider of capital and advisory services to small and mid-sized businesses. Mr. Reilly was the former President and Owner of MVI Group, the largest network of commercial truck and bus dealerships in the state of Ohio. After building a network of 10 locations, Mr. Reilly sold MVI Group to Rush Enterprises, headquartered in New Braunfels, Texas, in 2012. Prior to his

time in the dealership industry, Mr. Reilly was President and Owner of the Dayton Bomber's Professional Hockey Team in Dayton, Ohio which he sold in 2005. Prior to acquiring the hockey team, Mr. Reilly enjoyed a 17-year career in the commercial banking industry including Managing Director of PNC Capital Markets, the investment banking unit of PNC Bank. Mr. Reilly's business address is 1085 Gulf of Mexico Drive, Longboat Key, FL 34228.

Jack Britts, age 66, currently serves as a business consultant and investor focusing on pharmaceutical and healthcare companies. He has served on the Board since September 2017. Mr. Britts has over 30 years of diverse experience including, serving as Co-Chief Executive Officer, Chief Operating Officer and Member of the Board of Directors of Crown Laboratories (now Revance) from July 2012 through 2014, a fully integrated pharmaceutical company. Prior to Crown and for more than five years, Mr. Britts was President and Chief Executive Officer of Merz Pharmaceuticals LLC, a privately held multinational pharmaceutical company specializing in neurology and dermatology. Mr. Britts also serves on the board of directors for Azova Healthcare and Greens4Good. Mr. Britts' business address is 590 Windsor Road, Ashville, NC 28804.

Sara Mannix, age 59, is the President of Mannix Marketing, Inc., a company she founded in 1996 focusing on SEO to help businesses "get found on the web." Since then, her company has evolved into a full-service digital marketing agency focusing on helping businesses grow by growing their website traffic, conversions, leads, and sales. Ms. Mannix has served on the Board since 2020. Mannix Marketing has either been shortlisted or won the industry's top award for organic SEO, "Best in Search US," for seven years in a row. The business is located in upstate NY, employs a team of 30 digital marketing specialists, and serves over 1000 clients nationwide. Ms. Mannix graduated Summa Cum Laude from the University at Albany with a double major in Spanish and Italian. Her extensive experience in marketing and executive leadership makes Ms. Mannix a valuable member of the Board.

Joe Heimbrock, age 70, has served as a director since April 2016 and is the managing partner of MVI Partners, LLC. Mr. Heimbrock has over 30 years of business experience in the commercial trucking industry, including sales, marketing and operational management. He most recently served as the Regional General Manager in Ohio for Rush Enterprises, Inc., which is headquartered in New Braunfels, Texas. Rush Enterprises owns and operates the nation's largest network of commercial vehicle dealerships, including new and used trucks through its Rush Truck Centers. Prior thereto, Mr. Heimbrock was Vice President of MVI Enterprises, the largest truck dealership network in Ohio which was purchased by Rush Enterprises in 2012. Mr. Heimbrock's business address is 3299 Hughes Court, Taylor Mill, KY 41015.

Legal/Disciplinary History

- A. Please identify whether any of the persons listed above have, in the past 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

Related Party Transactions

In 2020, the Company executed convertible note purchase agreements (the "Convertible Purchase Agreements") and a security agreement, as amended, (the "Convertible Security Agreement"), and convertible secured promissory notes totaling \$2,200,000 (the "Convertible Notes") (collectively the "Convertible Note Agreements"). On December 31, 2025, the maturity date of the Convertible Notes was extended to April 30, 2027. As part of the extension, the holders of the Convertible notes received warrants to purchase an aggregate of 1,082,840 shares of common stock at \$0.12 per share. Of the total Convertible Notes, \$1,000,000 of the Convertible Notes were held by Inspira Financial Trust LLC (f/k/a Millennium Trust Company LLC) Custodian FBO Timothy E. Reilly IRA (the "Reilly IRA"). In 2023, 2024 and 2025, the Reilly IRA purchased an additional \$400,000 of Convertible Notes in transactions to replace some of the initial investors. The Reilly IRA holds a total of \$1,400,000 of the Convertible Notes and is owned and controlled by Tim Reilly who is Chairman of the Company and a beneficial owner of more than 5% of the Company's outstanding shares of common stock. As such, the Inspira investment in the Convertible Notes transaction is a related party transaction. See Note 6 – Notes Payable in the Consolidated Financial Statements in Part II.

In 2024, Joseph Peters purchased \$50,000 of Convertible Notes in a transaction to replace one of the original investors. Mr. Peters is the Chief Executive Officer of the Company. As such, the Peters Convertible Note transaction is a related party transaction. See Note 6 – Notes Payable in the Consolidated Financial Statements in Part II.

Joe Heimbrock, a director of the Company, is the manager member of MVI Partners LLC. MVI Partners LLC is the majority owner of the Series B Preferred shares, holding 494,313 shares. As part of the extension of the maturity date of the Convertible Notes on December 31, 2025, the holders of the Series B preferred shares receive warrants to purchase 300,000 shares of common stock at \$0.12 per share, of which MVI Partners LLC received warrants to purchase 286,984 shares. When combined, Mr. Heimbrock and MVI Partners LLC beneficially own more than 5% of the Company. As such, MVI Partners LLC is deemed to be a related party to the Company.

Effective December 18, 2024, the holders of the Series C Preferred Stock entered into a Stock Purchase Agreement with Joseph Peters and Daniel Seliga whereby the holders agreed to sell their 6,500 shares of Series C Preferred Stock and 849,366 shares of common stock to Mr. Peters and Mr. Seliga. Subsequent to the purchase, Mr. Peters and Mr. Seliga entered into a Conversion and Standstill Agreement effective December 18, 2024 with the Company whereby they agreed not to issue a redemption notice until after January 1, 2028. As part of the agreement, the holders may elect to convert up to \$250,000 of the Series C Preferred Stock valued at its original issue price into shares of common stock of the Company each calendar quarter, with the conversion price being set at 80% of the thirty (30) day weighted average closing price of a share of common stock on the OTC Market. The transactions are considered related party transactions as Mr. Peters is the Chief Executive Officer and Director of the Company and Mr. Seliga is the Chief Financial Officer of the Company. See Note 8- Stockholder's Deficiency in the Consolidated Financial Statements in Part II.

The Company entered into an agreement with Mannix Marketing, Inc. in March 2023 to provide various marketing services including digital advertising and branding. During 2025, Mannix Marketing invoiced

\$86,330 to the Company for those services which was included in selling, general and administrative expenses, of which the Company paid \$94,500 as of December 31, 2025. Sarah Mannix is President of Mannix Marketing, Inc. and is a director of the Company. As such, the services provided by Mannix Marketing are related party transactions.

12) Financial Statements

- a) The following consolidated financial statements were prepared in accordance with U.S. GAAP.

Consolidated Balance Sheets as of December 31, 2025 and 2024
Consolidated Statements of Operations for the years ended December 31, 2025 and 2024
Consolidated Statements of Changes in Stockholders' Deficiency for the years ended December 31, 2025 and 2024
Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024
Notes to the Consolidated Financial Statements
Report of Independent Auditors' Report

- b) The consolidated financial statements for this reporting period were prepared by Daniel Seliga, Chief Financial Officer of the Company.

See PART II –CONSOLIDATED FINANCIAL STATEMENTS below.

13) Financial Statements for 2 prior fiscal years:

The Consolidated Financial Statements for fiscal years ended December 31, 2023 and 2024 were included in the Company's 2024 Annual Report, filed with the OTC Markets and can be found at www.otcmarkets.com as well as on the Company's website and are incorporated by reference herein.

14) Third Party Providers

Legal Counsel

General Counsel

Name: Mark Kobasuk
Address 1: 358 N Johns Road
Address 2: Butler, KY 41006
Phone: (513) 607-9078
Email: mgklaw1@gmail.com

Securities Counsel

Name: Kenneth Tabach
Firm: Silver, Freedman, Taff & Tiernan LLP
Address 1: 3299 K Street, N.W. Suite 100
Address 2: Washington, DC 20007
Phone: (202) 295-4500
Email: ktabach@sfttlaw.com and

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: CBIZ CPAs P.C.
Address 1: 730 Third Avenue, 11th Floor
Address 2: New York, NY 10017
Phone: (212) 485-5500

15) Management’s Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion of results of operations and financial condition is based upon, and should be read in conjunction with, our consolidated financial statements and accompanying notes thereto, included elsewhere in this Annual Report.

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in this report. Important factors that may cause actual results to differ from any forward-looking statements include:

- significant changes in consumer demand for our products, resulting in volatility of our operating results and financial condition;
- our ability to effectively respond to changing market conditions;
- whether as a result of market conditions, or our financial condition or otherwise, the possibility that we will not be able to raise sufficient additional capital needed to operate our business;
- unexpected costs, lower than expected sales and revenues, loss of a large customer, regulatory changes relative to products currently sold or pharmacy operations and operating deficits;
- our ability to obtain supply at favorable rates;
- unexpected changes in our industry’s competitive forces including the manner and degree in which our competitors serve our target market;
- our ability to attract or retain qualified senior management personnel.

All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, financial position, estimated revenue or losses, projected costs, prospects and plans and objectives of management are forward-looking statements. When used in this report, the words “will,” “may,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “plan” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements or other information contained herein. Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved.

Overview

HealthWarehouse.com, Inc., a technology company with a focus on healthcare e-commerce, sells and delivers prescription and over-the-counter medications to all 50 states as an Approved Digital Pharmacy through the National Association of Boards of Pharmacy (NABP). HealthWarehouse.com provides a platform focused

on increasing access and reducing costs of healthcare products for consumers and business partners nationwide.

The Company sells directly to individual consumers who purchase prescription medications and over-the-counter products over the Internet and through its onsite call center. HealthWarehouse.com is currently one of 90 NABP accredited digital pharmacies. In addition, the Company also provides fulfillment services of prescription medication and medical devices to customers of other healthcare providers including telemedicine and online services companies and manufacturers. The Company's robust fulfillment offering and active business development team allow the Company to support many therapeutic areas, providing world class service to current and potential partners alike.

Consumers who pay out of pocket for their prescriptions include those:

- with no insurance coverage;
- with high insurance deductibles or copays;
- with Medicare Part D plans with high deductibles;
- with Health Savings Accounts (HSA) or Flexible Savings Accounts (FSA);
- with insurance through the Affordable Care Act (ACA) with high deductibles; and
- with drug exclusions and quantity restrictions placed by insurance companies.

Our objective is to utilize our proprietary technology to make the pharmaceutical supply chain more efficient and to pass the savings on to the consumer. We have become known by consumers as a convenient, reliable, discount provider of over-the-counter products and prescription medication. We were named by Money.com one of the five best online pharmacies of 2020. This popular personal finance website recognized that the Company has earned a reputation for being one of the most affordable pharmaceutical options and highlighted the Company's customer service offering.

Results of Operations

For The Year Ended December 31, 2025 Compared to The Year Ended December 31, 2024

<i>In thousands</i>	<u>For year ended Ended December 31, 2025</u>	<u>% of Revenue</u>	<u>For year ended Ended December 31, 2024</u>	<u>% of Revenue</u>
Net sales	\$ 48,994	100.0%	\$ 33,614	100.0%
Cost of sales	31,852	65.0%	19,489	58.0%
Gross profit	17,142	35.0%	14,125	42.0%
Selling, general & administrative	16,730	34.1%	14,218	42.3%
Income (loss) from operations	412	0.9%	(93)	(0.3%)
Loss on extinguishment of debt	-	0.0%	(3)	(0.0%)
Interest expense	(72)	(0.1%)	(237)	(0.7%)
Loss before taxes	340	0.8%	(333)	(1.0%)
Income tax expense	(75)	(0.2%)	-	0.0%
Net income (loss)	<u>\$ 265</u>	0.6%	<u>\$ (333)</u>	(1.0%)

Net Sales

<u>For year ended December 31, 2025</u>	<u>% Change</u>	<u>\$ Change</u>	<u>For year ended December 31, 2024</u>
<i>In thousands</i>			
\$48,994	45.8%	\$15,380	\$33,614

Net sales increased from \$33.6 million for the year ended December 31, 2024 to \$49.0 million for the year ended December 31, 2025, an increase of \$15.4 million, or 45.8%. Prescription sales were \$46.2 million for the year ended December 31, 2025, as compared to \$30.9 million for the year ended December 31, 2024, an increase of \$15.3 million, or 49.3%. These increases were primarily due to growth in our partner services (B2B) business related to fulfillment of brand and compounded GLP-1 medications. Sales for the direct-to-consumer (B2C) prescription business were down 24.3% in 2025 due to a reduction in sales of higher cost brand medications and increased competition. Over-the-counter net sales increased by 15.9% from \$2.2 million in the year ended December 31, 2024 to \$2.5 million in the year ended December 31, 2025. The increase in the B2C over-the-counter sales was primarily due to higher marketplace sales.

The ending of the Company's ability to dispense the high dollar compounded GLP-1 medications beginning in the first quarter of 2026 will have a significant impact on our sales in 2026 and beyond until that volume can be replaced with the addition of new partners and the expansion of the catalogs of our existing partners. The Company anticipates that it will continue to generate positive cash from operations during 2026.

Cost of Sales and Gross Margin

	For year ended December 31, 2025	% Change	\$ Change	For year ended December 31, 2024
<i>In thousands</i>				
Cost of sales	\$31,852	63.4%	12,363	\$19,489
Gross margin \$	\$17,142	21.4%	3,017	\$14,125
Gross margin %	35.0%	-7.0%		42.0%

Cost of sales were \$31.9 million for the year ended December 31, 2025 as compared to \$19.5 million for the year ended December 31, 2024, an increase of \$12.4 million or 63.4%, primarily as a result of the growth in sales of high cost GLP-1 medications in our B2B prescription businesses. Gross profit for the year ended December 31, 2025 was \$17.1 million, a \$3.0 million or 21.4%, increase when compared to the same period in 2024, due to the increase in sales volume and offset by lower gross margins. Gross margin percentage decreased year-over-year from 42.0% for the year ended December 31, 2024 to 35.0% for the year ended December 31, 2025, as a result of decreased year-over-year margins in the B2B prescription business (due to higher prescription brand and compounded drug sales which have higher costs and lower gross margins due to competitive market prices).

Selling, General and Administrative Expenses

	For year ended December 31, 2025	% Change	\$ Change	For year ended December 31, 2024
<i>In thousands</i>				
S,G&A	\$16,730	17.7%	\$2,512	\$14,218
% of sales	34.1%	-19.3%	-8.2%	42.3%

Selling, general and administrative (SG&A) expenses totaled \$16.7 million for the year ended December 31, 2025 compared to \$14.2 million for the year ended December 31, 2024, an increase of \$2.5 million, or 17.7%. Despite the increase, SG&A expenses were significantly lower relative to sales, decreasing by 8.2% to 34.1% of sales for the year ended 2025, as the growth in sales of high cost GLP-1 medications in our B2B prescription businesses did not result in a comparable increase in operating expenses. For the year ended December 31, 2025, increased expenses were primarily related to the growth in order volume in the B2B segment which included (a) an \$1.1 million increase in shipping expense; (b) a \$445,000 increase in salaries and related expenses; (c) a \$358,000 increase in shipping supplies expense; (d) a \$309,000 increase in legal expense; (e) a \$284,000 increase in advertising and marketing expense; (f) a \$106,000 increase in rent expense; (g) an \$80,000 increase in software and engineering expenses; (h) a \$47,000 increase in corporate taxes; (i) a \$41,000 increase in maintenance and repairs expense; and (j) a \$40,000 increase in accounting services.

expense. Those increases were partially offset by (a) a \$220,000 decrease in credit card fee expense; (b) a \$138,000 reduction in health and other benefits expense; and (c) a 90,000 decrease in stock-based compensation.

Other Income and Expense

Other expenses decreased from \$240,000 in the year ended December 31, 2024 to \$72,000 in the year ended December 31, 2025, an decrease of \$168,000, or 71.0% primarily due to a decrease in amortization of debt discount related to the extension of the maturity date of the convertible notes, a loss on the extinguishment of debt in 2024, and higher interest income earned on excess cash balances. Interest income was \$82,000 and \$26,000 for the years ended December 31, 2025 and 2024, respectively, as excess funds resulted in higher average balances invested in interest bearing money market accounts in 2025 offset by lower interest rates.

Net Income (Loss)

The net loss of \$333,000 for the year ended December 31, 2024 improved to net income of \$265,000 in the year ended December 31, 2025, an improvement of \$598,000, primarily as a result of increased sales and gross profit and continued controls on expenses.

Adjusted EBITDAS

We believe Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA), financial measures not included in accounting principles generally accepted in the United States of America (U.S. GAAP), are useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance. We believe that:

- EBITDA and Adjusted EBITDA provide investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with other companies, many of which use similar non-U.S. GAAP financial measures to supplement their U.S. GAAP results; and
- EBITDA is useful because it excludes non-cash charges including depreciation and amortization expenses, including the amortization of right of use operating lease assets. Adjusted EBITDA is useful because it excludes other non-cash charges, such as stock-based compensation and one-time charges, which the amount of such expense in any specific period may not directly correlate to the underlying performance of our business operations and these expenses can vary significantly between periods.

We use Adjusted EBITDA in conjunction with traditional U.S. GAAP measures as part of our overall assessment of our performance, to evaluate the effectiveness of our business strategies and to communicate with our lenders, stockholders and board of directors concerning our financial performance.

Adjusted EBITDA should not be considered as a substitute for other measures of financial performance reported in accordance with U.S. GAAP. There are limitations to using non-U.S. GAAP financial measures, including that other companies may calculate these measures differently than we do. We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, specifically net loss.

The following provides a reconciliation of net loss to Adjusted EBITDA:

<i>In thousands</i>	For the Year Ended	
	For year ended December 31,	
	2025	2024
Net income (loss)	\$ 265	\$ (333)
Interest expense	72	237
Income Tax Expense	75	-
Depreciation and amortization	519	434
EBITDA (non-GAAP)	931	338
Adjustments to EBITDA:		
Stock-based compensation	661	750
Loss on extinguishment of debt	-	3
Adjusted EBITDA (non-GAAP)	<u>\$ 1,592</u>	<u>\$ 1,091</u>

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities in which we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

Impact of Inflation

The Company has experienced price inflation for shipping and packaging supplies, shipping and labor costs, and to a lesser extent certain prescription and over-the-counter products due to supply shortages. Despite increases in those areas, we believe that inflation has not had a material impact on our results of operations for the years ended December 31, 2025 and 2024. We cannot assure that future inflation will not have an adverse impact on our operating results and financial condition.

Liquidity and Capital Resources

The Company's working capital deficiency was \$1.5 million as of December 31, 2025 and the stockholder deficiency was \$3.3 million as of December 31, 2025. For the year ended December 31, 2025, the Company had net income of \$265,000 and net cash provided by operating activities of \$1.2 million. As of December 31, 2025, the Company had cash and liquid investments totaling \$2.2 million.

On December 31, 2025, the Company extended the maturity date of the Convertible Notes to April 20, 2027, which reduced its current obligations as of December 31, 2025. The primary component of the Company's remaining current obligations is the accrued dividends totaling \$3.4 million to the holders of the Series B Preferred shares. The dividends continue to accrue as Company is restricted from paying dividends if there is no surplus in equity per Delaware law. The Company believes it would satisfy a majority of such dividends through the issuance of additional shares of the Series B Preferred Stock versus a required cash outlay, which is at the Company's Board discretion, when allowable under Delaware law.

The Company believes that its current financial resources and management's plans are sufficient to satisfy the Company's estimated liquidity needs for at least twelve months from the date of issuance of the consolidated financial statements, therefore there is no substantial doubt relating to going concern. This is supported by (i) the cash generated by operations during 2025 and the related increase in cash balances, (ii) the Company did not have any issues meeting its current obligations in 2025, (iii) the non-cash nature of the majority of \$3.4 million of the current liabilities; (iv) the renewed standstill of the redemption provision related to the Series C Preferred to January 2028; and (vi) the expected continuation of positive EBITDA in 2026 and increasing cash balances.

Our cash flow from operating, investing and financing activities during these periods were as follows:

For the year ended December 31, 2025, cash flows included net cash provided by operating activities of \$1.2 million. This amount included an increase in operating cash related to a net income of \$265,000 and an

aggregate non-cash adjustments of \$1.2 million, offset by aggregate cash used by changes in operating assets and liabilities of \$287,000 (primarily a result of increases in accounts receivable and prepaids expenses and decreases in accounts payable and operating lease liabilities, offset by a decrease in inventories and an increase in accrued expenses). For the year ended December 31, 2024, cash flows included net cash provided by operating activities of \$705,000. This amount included a decrease in operating cash related to a net loss of \$333,000, offset by aggregate non-cash adjustments of \$1.3 million and aggregate cash used by changes in operating assets and liabilities of \$259,000 (primarily a result of increases in accounts receivable and inventories offset by an increase in accounts payable and accrued expenses and a decrease in prepaid expenses).

For the year ended December 31, 2025, net cash used in investing activities was \$95,000 which included equipment purchased to support our partner services business including cold chain equipment and a backup generator. For the year ended December 31, 2024, net cash used in investing activities was \$140,000 which included an asset acquisition for \$55,000, equipment purchased for \$55,000 to enhance cold chain shipping capabilities and third party engineering and software costs of \$30,000.

For the year ended December 31, 2025, net cash provided by financing activities was \$9,000 related to the exercise of stock options. There were no financing activities for the year ended December 31, 2024.

Changes in Financial Condition

The Company's total assets were \$5.9 million at December 31, 2025, an increase of \$830,000 from \$5.0 million at December 31, 2024, primarily due to increases in cash, accounts receivable and prepaid expenses, offset by decreases in property and equipment, operating lease right of use asset, software development costs and inventories. Total liabilities were \$8.5 million at December 31, 2025, an increase of \$114,000 from the balance at December 31, 2024 of \$8.4 million, primarily due to increases in accrued dividends and accrued expenses offset by decreases in operating lease liability, convertible notes payable and accounts payable. The Company's stockholders deficiency decreased by \$717,000 to \$3.3 million due to the net income and additions to paid-in-capital related to stock-based compensation and the issuance of warrants.

PART E: ISSUANCE HISTORY

16) Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

Number of Shares outstanding as of January 1, 2024		Opening Balance								
		Common		54,683,768						
		Preferred Series B		517,359						
		Preferred Series C		6,500						
Date	Transaction Type	Number of Shares Issued	Class of Securities	Value of shares issued (\$ per share) at issuance	Issued at discount to market at time of issuance?	Individual/Entity Shares were issued to	Reason for share issuance or Nature of Services Provided	Restricted or Unrestricted as of this filing?	Exemption or Registration Type	
1/15/24	New	46,154	Common	\$0.13	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
1/15/24	New	46,154	Common	\$0.13	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
1/15/24	New	46,154	Common	\$0.13	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
1/15/24	New	46,154	Common	\$0.13	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
4/4/24	New	54,545	Common	\$0.11	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
4/4/24	New	54,545	Common	\$0.11	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
4/4/24	New	54,545	Common	\$0.11	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
4/4/24	New	54,545	Common	\$0.11	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
7/10/24	New	46,154	Common	\$0.13	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
7/10/24	New	46,154	Common	\$0.13	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
7/10/24	New	46,154	Common	\$0.13	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
7/10/24	New	46,154	Common	\$0.13	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
10/11/24	New	85,714	Common	\$0.07	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
10/11/24	New	85,714	Common	\$0.07	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
10/11/24	New	85,714	Common	\$0.07	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
10/11/24	New	85,714	Common	\$0.07	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
10/11/24	New	85,714	Common	\$0.07	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
1/8/25	New	75,000	Common	\$0.08	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
1/8/25	New	75,000	Common	\$0.08	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
1/8/25	New	75,000	Common	\$0.08	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
1/8/25	New	75,000	Common	\$0.08	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
4/2/25	New	50,000	Common	\$0.09	No	Frank Brockman, Employee	Exercise of Stock Option	Restricted	Rule 701	
4/2/25	New	50,000	Common	\$0.09	No	David Danford, Employee	Exercise of Stock Option	Restricted	Rule 701	
4/14/25	New	75,000	Common	\$0.08	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
4/14/25	New	75,000	Common	\$0.08	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
4/14/25	New	75,000	Common	\$0.08	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
4/14/25	New	75,000	Common	\$0.08	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
7/16/25	New	54,545	Common	\$0.11	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
7/16/25	New	54,545	Common	\$0.11	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
7/16/25	New	54,545	Common	\$0.11	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
7/16/25	New	54,545	Common	\$0.11	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
10/7/25	New	54,545	Common	\$0.11	No	Joe Heimbrock, Director	Stock Based Compensation	Restricted	Rule 701	
10/7/25	New	54,545	Common	\$0.11	No	Tim Reilly, Director	Stock Based Compensation	Restricted	Rule 701	
10/7/25	New	54,545	Common	\$0.11	No	Jack Britts, Director	Stock Based Compensation	Restricted	Rule 701	
10/7/25	New	54,545	Common	\$0.11	No	Sara Mannix, Director	Stock Based Compensation	Restricted	Rule 701	
Number of Shares outstanding as of December 31, 2025		Ending Balance								
		Common		56,750,396						
		Preferred Series B		517,359						
		Preferred Series C		6,500						

All shares issued in the transactions detailed above, contain a legend that states that the shares were issued in a transaction not registered under the Securities Act of 1933 and may not be transferred unless registered or pursuant to an exemption therefrom.

Please see Footnote 14 - Subsequent Events to the Company's consolidated financial statements in Part II below for information related to the Company's issuance of common stock related to stock-based compensation for directors.

Debt Securities, Including Promissory and Convertible Notes

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$) as of 12/31/2025	Principal Amount at Issuance (\$)	Interest Accrued (\$) as of 12/31/2025	Maturity Date	Conversion Terms	Name of Note Holder	Reason for Issuance
2/10/20	\$ 1,675,000	\$ 1,675,000	\$ -	4/30/2027	Convertible to shares of common stock at \$0.085 per share	Inspira Financial Trust LLC Custodian FBO Timothy E. Reilly IRA; Joseph Peters, Kirt & Patricia Bjork; Patrick Mendenhall	Repay existing indebtedness; Conversion of previous note to Millenium Trust Company LLC; and General working capital purposes.
4/14/20	\$ 525,000	\$ 525,000	\$ -	4/30/2027	Convertible to shares of common stock at \$0.085 per share	Robert B. Ford; Thomas J. Daley 2019 Trust, Thomas J. Daley, Trustee; John Pauly; Inspira Financial Trust LLC Custodian FBO Timothy E. Reilly IRA; Dwayne Stephens	Repay existing indebtedness and General working capital purposes.

Please see Footnote 6 – Notes Payable to the Company’s consolidated financial statements in Part II for more information.

PART F: EXHIBITS

17) Material Contracts (as of December 31, 2025):

The Company is party to convertible note purchase agreements and a security agreement, as amended, on February 7, 2020 and April 12, 2020, and convertible secured promissory notes on February 10, 2020 and April 12, 2020 (collectively the “Convertible Note Agreements”). Under the terms of the Convertible Note Agreements, the Company borrowed an aggregate of \$2,200,000 from a group of eleven investors. See Note 6 to the Consolidated Financial Statements.

On December 18, 2024, the Company entered into a Conversion and Standstill Agreement with the holders of \$650,000 principal amount of the Company’s Series C Preferred Stock. See Note 8 to the Consolidated Financial Statements.

The Company is a party to a lease agreement for office and storage space for its headquarters in Florence, Kentucky. On October 31, 2024, the Company entered into an amendment of the lease agreement which extended the lease for an additional five years to December 31, 2029. See Note 7 to the Consolidated Financial Statements.

The Company adopted the 2014 Equity Incentive Plan, as amended, (the “2014 Plan”) in August 2014 which provided for a total of 6,000,000 shares of common stock authorized and available for issuance pursuant to awards granted under the 2014 Plan. The 2014 Plan was amended in 2020, 2021 and 2023 to increase the number of shares available to 43,000,000 shares. See Note 8 to the Consolidated Financial Statements.

Effective January 1, 2020, the Company entered into employment agreements with Joseph Peters and Daniel Seliga contracts. See Note 9 to the Consolidated Financial Statements.

The Company has contracts with various suppliers of prescription and over-the-counter medications that specify the term and conditions for purchasing and returning product, payment terms and other items.

The Company has contracts with various partner services customers that specify the obligations of each party, the services to be provided, pricing for the services, payment terms and other items.

The Company has contracts with various providers of services, including but not limited to software, internet, data storage, that specify the term and conditions for providing the services, payment terms and other items.

18) Articles of Incorporation and Bylaws:

The Company's Certificate of Incorporation and Bylaws are posted in the Investor Relations section of the Company's website, www.healthwarehouse.com/investors-relations, and are incorporated by reference herein.

19) Purchases of Equity Securities by the Issuer and Affiliated Purchasers: None.

20) Issuer Certifications

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joseph Peters, certify that:

1. I have reviewed this annual 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: March 20, 2026 /s/ Joseph B. Peters

Joseph B. Peters
Chief Executive Officer and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Daniel Seliga, certify that:

1. I have reviewed this annual 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: March 20, 2026 /s/ Daniel J. Seliga

Daniel J. Seliga
Chief Financial Officer

PART II – CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

To the Board of Directors and Shareholders of
HealthWarehouse.com

Opinion

We have audited the consolidated financial statements of HealthWarehouse.com (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the general company information, share structure, business information, management structure and financial information, issuance history and exhibits but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CBIZ CPAs P.C.

New York, NY
March 20, 2026

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,205,304	\$ 1,133,319
Accounts receivable, net	1,147,442	927,138
Inventories, net	775,485	841,703
Prepaid expenses and other current assets	142,570	113,772
Total current assets	4,270,801	3,015,932
Property and equipment, net	569,589	749,958
Software development costs, net	194,996	274,776
Other assets	35,524	35,524
Operating lease right of use asset	807,005	971,252
Total assets	\$ 5,877,915	\$ 5,047,442
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 1,184,066	\$ 1,267,207
Accrued dividends	3,422,329	3,080,096
Accrued expenses and other current liabilities	1,023,391	893,949
Operating lease liability	172,089	150,102
Total current liabilities	5,801,875	5,391,354
Long term liabilities:		
Operating lease liability, non-current	671,461	843,550
Convertible notes payable, net of debt discount of \$140,575 and \$0 as of December 31, 2025 and 2024, respectively	2,059,525	2,200,000
Total long term liabilities	2,730,986	3,043,550
Total liabilities	8,532,861	8,434,904
Commitments and contingencies		
Convertible redeemable preferred stock - Series C; par value \$0.001 per share; 10,000 shares designated Series C: issued and outstanding 6,500 as of December 31, 2025 and December 31, 2024 (aggregate liquidation preference of \$650,000 as of December 31, 2025 and December 31, 2024)	650,000	650,000
Stockholders' deficiency:		
Preferred stock – par value \$0.001 per share; authorized 1,000,000 shares; issued and outstanding as of December 31, 2025 and December 31, 2024 as follows:		
Convertible preferred stock - Series B – 790,000 shares designated Series B; 517,359 shares issued and outstanding as of December 31 2025 and December 31, 2024 (aggregate liquidation preference of \$8,311,373 and \$7,969,139 as of December 31, 2025 and December 31, 2024)	517	517
Common stock – par value \$0.001 per share; 175,000,000 shares authorized as of December 31, 2025 and December 31, 2024; 57,929,608 and 56,793,248 shares issued and 56,750,396 and 55,614,036 shares outstanding as of December 31, 2025 and December 31, 2024	57,929	56,793
Additional paid-in capital	39,315,986	38,507,080
Treasury stock, at cost, 1,179,212 shares as of December 31, 2025 and December 31, 2024	(3,419,715)	(3,419,715)
Accumulated deficit	(39,259,663)	(39,182,137)
Total stockholders' deficiency	(3,304,946)	(4,037,462)
Total liabilities and stockholders' deficiency	\$ 5,877,915	\$ 5,047,442

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended	
	December 31,	
	2025	2024
Total net sales	\$ 48,993,970	\$ 33,614,067
Cost of sales	31,851,827	19,489,469
Gross profit	17,142,143	14,124,598
Selling, general and administrative expenses	16,730,517	14,217,358
Income (loss) from operations	411,626	(92,760)
Other expense:		
Loss on extinguishment of debt	-	(3,250)
Interest expense, net	(71,669)	(236,964)
Total other expense	(71,669)	(240,214)
Net income (loss) before income tax expense	339,957	(332,974)
Income tax expense	(75,250)	-
Net income (loss)	264,707	(332,974)
Preferred stock:		
Series B convertible preferred stock contractual dividends	(342,233)	(342,232)
Net loss attributable to common stockholders	\$ (77,526)	\$ (675,206)
Per share data:		
Net income (loss) – basic and diluted	\$ 0.00	\$ (0.01)
Series B convertible preferred stock contractual dividends	(0.01)	(0.01)
Net loss attributable to common stockholders - basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	56,348,007	55,186,013

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024

	Series C Convertible Redeemable Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount		
Balances, January 1, 2024	6,500	\$ 650,000	517,359	\$ 517	55,862,980	\$ 55,863	\$ 37,864,102	1,179,212	\$ (3,419,715)	\$ (38,506,931)	\$ (4,006,164)
Stock-based compensation, including options	-	-	-	-	745,652	746	725,342	-	-	-	726,088
Common shares issued for previously accrued compensation	-	-	-	-	184,616	184	23,816	-	-	-	24,000
Contractual dividends on Series B convertible preferred stock	-	-	-	-	-	-	-	-	-	(342,232)	(342,232)
Reacquisition of embedded conversion feature related to extinguishment of convertible notes payable	-	-	-	-	-	-	(129,412)	-	-	-	(129,412)
Warrants issued to holders of Series B preferred stock	-	-	-	-	-	-	23,232	-	-	-	23,232
Net loss	-	-	-	-	-	-	-	-	-	(332,974)	(332,974)
Balances, December 31, 2024	6,500	\$ 650,000	517,359	\$ 517	56,793,248	\$ 56,793	\$ 38,507,080	1,179,212	\$ (3,419,715)	\$ (39,182,137)	\$ (4,037,462)
Balances, January 1, 2025	6,500	\$ 650,000	517,359	\$ 517	56,793,248	\$ 56,793	\$ 38,507,080	1,179,212	\$ (3,419,715)	\$ (39,182,137)	\$ (4,037,462)
Stock-based compensation, including options	-	-	-	-	736,360	736	635,831	-	-	-	636,567
Common Shares issued for previously accrued compensation	-	-	-	-	300,000	300	23,700	-	-	-	24,000
Exercise of options into common stock	-	-	-	-	100,000	100	8,900	-	-	-	9,000
Contractual dividends on Series B convertible preferred stock	-	-	-	-	-	-	-	-	-	(342,233)	(342,233)
Warrants issued as debt discount in connection with convertible notes payable	-	-	-	-	-	-	140,475	-	-	-	140,475
Net income	-	-	-	-	-	-	-	-	-	264,707	264,707
Balances, December 31, 2025	6,500	\$ 650,000	517,359	\$ 517	57,929,608	\$ 57,929	\$ 39,315,986	1,179,212	\$ (3,419,715)	\$ (39,259,663)	\$ (3,304,946)

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31	
	2025	2024
Cash flows from operating activities		
Net income (loss)	\$ 264,707	\$ (332,974)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	355,377	325,453
Stock-based compensation	660,567	750,087
Amortization of debt discount	-	109,430
Loss on extinguishment of debt	-	3,250
Amortization of operating lease right of use asset	164,247	108,976
Changes in operating assets and liabilities:		
Accounts receivable	(220,304)	(319,016)
Inventories	66,218	(313,111)
Prepaid expenses and other current assets	(28,798)	46,274
Accounts payable	(83,141)	365,950
Accrued expenses and other current liabilities	129,442	56,417
Operating lease liabilities	(150,102)	(95,472)
Net cash provided by operating activities	1,158,213	705,264
Cash flows from investing activities		
Capital expenditures	(95,228)	(54,904)
Software and website development costs	-	(30,000)
Acquisition of assets	-	(55,000)
Net cash used in investing activities	(95,228)	(139,904)
Cash flows from financing activities		
Proceeds from the exercise of stock options	9,000	-
Net cash provided by financing activities	9,000	-
Net increase in cash and cash equivalents	1,071,985	565,360
Cash and cash equivalents - beginning of period	1,133,319	567,959
Cash and cash equivalents - end of period	\$ 2,205,304	\$ 1,133,319
Cash paid for:		
Interest	\$ 154,000	\$ 154,000
Income Taxes	\$ 46,956	\$ -
Non-cash investing and financing activities:		
Accrual of contractual dividends on Series B convertible preferred stock	\$ 342,233	\$ 342,232
Common stock issued to satisfy accrued directors' fees	\$ 96,000	\$ 96,000
Options issued to satisfy accrued directors' fees	\$ 160,000	\$ 160,000
Warrants issued in connection with convertible notes payable	\$ 140,475	\$ -
Extinguishment of convertible notes payable	\$ -	\$ (2,090,571)
Reissuance of convertible notes payable	\$ -	\$ 2,200,000
Warrants issued as debt discount in connection with reissuance of notes payable	\$ -	\$ 23,232
Reacquisition of embedded conversion feature related to extinguishment of convertible notes payable	\$ -	\$ (129,412)
Operating lease right-of-use asset	\$ -	\$ 980,348
Operating lease liability, current and non-current	\$ -	\$ 980,348

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statement.

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 and/or authorized to sell and deliver prescriptions in all 50 United States and the District of Columbia focusing on the out-of-pocket prescription drug market. The Company is a 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.

2. Liquidity and Capital Resources

The Company’s working capital deficiency was \$1.5 million as of December 31, 2025 and the stockholder deficiency was \$3.3 million as of December 31, 2025. For the year ended December 31, 2025, the Company had net income of \$265,000 and had net cash provided by operating activities of \$1.2 million. As of December 31, 2025, the Company had cash and liquid investments totaling \$2.2 million.

On December 31, 2025, the Company extended the maturity date of the Convertible Notes to April 30, 2027, which reduced its current obligations as of December 31, 2025. The primary component of the Company’s remaining current obligations is the accrued dividends totaling \$3.4 million to the holders of the Series B Preferred shares. The dividends continue to accrue as Company is restricted from paying dividends if there is no surplus in equity per Delaware law. The Company believes it would satisfy a majority of such dividends through the issuance of additional shares of the Series B Preferred Stock versus a required cash outlay, which is at the Company’s Board discretion, when allowable under Delaware law.

The Company believes that its current financial resources and management’s plans are sufficient to satisfy the Company’s estimated liquidity needs for at least twelve months from the date of issuance of the consolidated financial statements, therefore there is no substantial doubt relating to going concern. This is supported by (i) the cash generated by operations during 2025 and the related increase in cash balances, (ii) the Company did not have any issues meeting its current obligations in 2025, (iii) the non-cash nature of the majority of \$3.4 million of the current liabilities; (iv) the renewed standstill of the redemption provision related to the Series C Preferred to January 2028; and (vi) the expected continuation of positive EBITDA in 2026 and increasing cash balances.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. 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 consolidated financial statements do not necessarily represent realizable or settlement values. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant estimates include reserves related to accounts

receivable, the net realizable value of inventory, the recoverability and useful lives of long-lived assets and website development costs, the valuation allowance related to deferred tax assets, the valuation of equity instruments, debt discounts and contingencies.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2025 and 2024, the Company had money market accounts held at banks and other financial institutions which are classified as cash equivalents. The Company has deposits that exceed amounts insured by the Federal Deposit Insurance Corporation; however, the Company does not consider this a significant concentration of credit risk based on the strength of the financial institution.

Current Expected Credit Losses (“CECL”)

The CECL reserve methodology requires companies to measure the expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under CECL, reserves may be established against financial asset balances even if the risk of loss is remote. Reserves can be subject to a degree of judgment and can be subject to macroeconomic factors, including inflation and forecasts of future economic conditions. A change in these factors could have a material impact on the allowance for credit losses.

The nature of the direct-to-consumer (B2C) business is that the majority of payments are received before the product is shipped. The Company has accounts receivable related to its partner services business as it has extended terms to its partner services customers ranging from prepay to 45 days. If the financial conditions of partner services customers were to materially deteriorate, an increase in the allowance amount could be required. The allowance for credit losses considers several factors, including historical collection and credit loss experience, current and expected economic trends, estimates of forecasted write-offs, aging of the accounts receivable, and other factors. The majority of the partner services customers are paying on time or within a reasonable variance of the credit terms extended. The Company is not aware of any economic trends that would have a significant impact on the creditworthiness of the partner services customers. The Company recognized and reported an allowance for credit losses of \$19,000 as of December 31, 2024, of which \$14,687 remained at December 31, 2025. The Company believes the remaining balance is adequate based on current and estimated potential write-offs.

Inventories

The Company’s inventory is comprised of finished goods. The Company measures inventory at the lower of cost or net realizable value, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of disposal. The Company performs regular reviews of inventory quantities on hand and evaluates the realizable value of its inventories. The valuation process for excess or slow-moving inventory contains uncertainty because management must use judgment to estimate when the inventory will be sold and the quantities and prices at which the inventory will be sold in the normal course of business. The Company adjusts the carrying value of the inventory as necessary with estimated valuation reserves for excess, obsolete, and slow-moving inventory by comparing the individual inventory items to forecasted product demand, taking into account current risks, trends and changes in industry conditions. Obsolescence of inventory items has historically been immaterial. There were no write-offs during the years ended December 31, 2025 and 2024.

Property and Equipment, net

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance, which do not extend the economic useful life of the related assets, are expensed in the period incurred. Gains or losses on disposal of property and equipment are reflected in the statements of operations in the period of disposal. For the years ended December 31, 2025 and 2024, the Company did not record any impairment of property and equipment.

Leases

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

liabilities are included in the current operating lease liabilities and noncurrent operating lease liabilities, respectively, on the consolidated balance sheets.

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

Impairment of Long-Lived Assets

The Company reviews the carrying value of intangibles and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair value. For the years ended December 31, 2025 and 2024, the Company did not record any impairment of long-lived assets.

Software and Website Development Costs

The Company capitalizes costs associated with the development of its proprietary software and website for internal use in accordance with ASC 350 – Intangibles, Goodwill and Other. During the year ended December 31, 2024, the Company capitalized \$30,000 of website development costs. The Company began to amortize the software and website development costs on a three year straight-line basis beginning in June 2023 as the related software was substantially completed and implemented. Amortization expense for the above capitalized costs is recognized in selling, general and administrative expenses and totaled \$79,780 for the years ended December 31, 2025 and 2024.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements apply to all financial instruments that are measured and reported on a fair value basis.

Based on the observability of the inputs used in the valuation techniques, financial instruments are categorized according to the fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level-1 - Observable inputs such as quoted prices in active markets.

Level-2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level-3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the assignment of an asset or liability within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement", approximates the carrying amounts reported in the accompanying balance sheets, primarily due to their short-term nature.

Income Taxes

Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts (“temporary differences”) at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

U.S. GAAP prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s financial statements as of December 31, 2025 and 2024. The Company does not expect any significant changes in the unrecognized tax benefits within twelve months of the reporting date.

The Company classifies interest expense and any related penalties related to income tax uncertainties as a component of income tax expense. No interest or penalties have been recognized during the years ended December 31, 2025 and 2024.

On July 4, 2025, the One Big Beautiful Bill Act (the OBBBA) was enacted. The OBBBA amends the U.S. tax law including provisions related to domestic research and development expenses and bonus depreciation, among others. The provision related to domestic research and development expenses allows for immediate expensing of domestic research and development costs along with accelerated deductions on previously capitalized domestic research and development costs. The enactment of OBBBA did not have a material impact on the Company’s financial statements for the year ended December 31, 2025.

Debt Discounts

The Company records, as a discount to notes and convertible notes, the relative fair value of warrants issued in connection with the issuances and the intrinsic value of any conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized to interest expense using the interest method over the earlier of the term of the related debt or their earliest date of redemption.

Revenue Recognition

The Company records revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, by analyzing exchanges with its customers using a five-step analysis: (i) identify the contract, (ii) identify performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price and (v) recognize revenue.

Revenue is generated through the sale of over-the-counter medication and prescription medication directly to the consumer. The Company also generates revenue by providing fulfillment of prescription medication, medical devices and over-the-counter products and other services to customers of other healthcare providers (“Partner Services”). These revenue streams culminate in a single performance obligation to provide the products and/or the service, and revenue is recorded in an amount that reflects the net consideration that the Company expects to receive for each revenue stream. Prices for the products are based on agreed upon rates with customers and do not include financing components or noncash consideration. The amount of consideration received and revenue recognized is variable for services offered to partner services customers and is impacted by volume rebates, which are generally tied to the number of prescriptions filled during the fulfillment process by the Company and settled on a monthly basis.

The Company records an estimate for provisions of discounts and other adjustments for its product shipments and are reflected as contra revenues in arriving at reported net revenues. The Company’s discounts are known at the time of sale; correspondingly, the Company reduces gross product sales for such discounts. The Company’s returns have historically been immaterial, therefore, the Company does not record a provision for returns.

The Company has determined that there is one performance obligation, which is the shipment and delivery of the product; this performance obligation is transferred at a discrete point in time. The Company recognizes revenue when performance obligations under the terms of a contract with a customer are satisfied in an amount that reflects the consideration the Company expects to receive in exchange for the product or service. For all customers, revenue is recognized at a point-in-

time (at the time the medication is shipped or at the time the fulfillment or other service is performed) based on the agreed upon terms with each customer when customer has control. The Company defers revenue when cash has been received from the customer, but shipment has not yet occurred. These customer deposits are reflected as deferred revenue within accrued expenses in the accompanying consolidated financial statements and totaled \$255,859 and \$207,591 as of December 31, 2025 and 2024, respectively.

Payments by customers to the Company for the sale of over-the-counter medication and prescription medication are typically made by credit card payment and received by the Company within 24-48 hours. Payments by customers to the Company for partner services are either prepaid by the customer or paid by check or electronic funds transfer upon receipt of an invoice which is typically provided on a daily, weekly or monthly basis. The Company extends terms to some partner services customers ranging from prepay to 45 days.

The Company receives upfront payments to offset set up costs related to new partner services contracts, which may include engineering time, setting up workflow, and purchasing computer equipment for a dedicated processing station. The setup costs are incurred to generate and/or enhance resources that will be used to satisfy performance obligations of the customer in the future through the services provided via the contract entered into with the customer. As such, the set up costs are recorded as deferred revenue and recognized over the term of the contract with the customer. The Company had \$6,125 and \$3,500 of these costs included in the deferred revenue balance at December 31, 2025 and 2024, respectively, in accrued expenses and other liabilities on the consolidated financial statements.

Taxes assessed by a governmental authority that the Company collects from customers that are both imposed on and concurrent with revenue producing activities (such as sales tax, value-added tax, and excise taxes) are excluded from revenue and recorded as sales tax payable in accrued expenses.

Disaggregation of Net Sales

Net sales are primarily generated through the sale of over-the-counter medication, prescription medication and medical devices (i) sold directly to consumers through the Company’s website and call center (“B2C”) and (ii) through fulfillment and other services provided to other healthcare providers and manufacturers (“Partner Services”). The following table summarizes net sales for the years ended December 31, 2025 and 2024.

	For the years ended December 31,	
	2025	2024
B2C Sales	\$10,831,130	\$13,171,183
Partner Services Sales	38,143,192	20,425,514
Other Sales	19,648	17,370
Total Sales	<u>\$48,993,970</u>	<u>\$33,614,067</u>

Contract assets and liabilities

Contract liabilities are recorded for arrangements where the Company (i) has received customer deposits from the customer but has not yet provided the fulfillment services and (ii) has received an upfront payment from the customer to cover set up costs including equipment and engineering resources. The Company had total contract liabilities of \$261,984 and \$211,091 recorded in accrued expenses as of December 31, 2025 and 2024, respectively, which were comprised of (i) customer deposits of \$255,859 and \$207,591 as of December 31, 2025 and 2024, respectively, which represented refundable customer deposits that were recorded as deferred revenue and (ii) deferred revenue of \$6,125 and \$3,500 as of December 31, 2025 and 2024, respectively, related to upfront payments received from customers that are being amortized over the term of the contract. During the years ended December 31, 2025 and 2024, the Company recognized net sales of \$8,875 and \$15,000, respectively, related to the amortization of the upfront payments. Other than accounts receivable, there were no contract assets as of December 31, 2025 and 2024.

Shipping and Handling Costs

The Company policy is to provide free standard shipping and handling for most direct-to-consumer (B2C) orders. Shipping and handling costs incurred are recognized in selling, general and administrative expenses. Such amounts aggregated \$4,245,592 and \$3,136,862 for the years ended December 31, 2025 and 2024, respectively.

In certain circumstances, shipping and handling costs are charged to the direct-to-consumer (B2C) customer and recognized in Net Sales. The amounts recognized in Net Sales for the years ended December 31, 2025 and 2024 were \$432,751 and \$335,001, respectively.

Advertising and Marketing Expenses

The Company expenses all advertising and marketing costs as incurred which was \$1,025,963 and \$742,207 for the years ended December 31, 2025 and 2024, respectively, and recorded in selling, general and administrative expenses.

Sales Taxes

The net sales of the Company do not include sales tax imposed on its goods and services because the Company is a pass-through conduit for collecting and remitting sales taxes. Beginning in 2018 and continuing into 2025, various states have enacted or are considering enacting legislation to require the collection of sales tax on ecommerce transactions shipped to their state. Such requirements vary by state and are subject to specified de minimis levels and various exclusions, including prescription medication. Compliance with current legislation enacted is not expected to have a material impact on the Company's future operations or results.

Net Loss Per Share of Common Stock

Basic net 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 loss per share includes potentially dilutive securities such as outstanding options, warrants and convertible notes, using the if-converted method in the determination of dilutive shares outstanding during each reporting period.

	December 31	
	2025	2024
Net loss attributable to common shareholders	\$ (77,526)	\$ (675,206)
Weighted-average common shares, basic and diluted	56,348,007	55,186,013
Net loss per common share, basic and diluted	\$ (0.00)	\$ (0.01)

The following table sets forth potential common shares issuable upon the exercise of outstanding options, the exercise of warrants and the conversion of preferred stock and notes, all of which have been excluded from the computation of diluted weighted average shares outstanding as they would be anti-dilutive:

	December 31,	
	2025	2024
Options	28,229,152	25,202,311
Warrants	2,122,967	1,240,127
Series B Convertible Preferred Stock	7,656,914	7,656,914
Series C Convertible Redeemable Preferred Stock *	6,500,000	9,285,714
Convertible Notes Payable	25,882,360	25,882,360
Total potentially dilutive shares	70,391,393	69,267,426

* The amount of Series C Convertible Redeemable Preferred Stock as if converted shares of 6,500,000 and 9,285,714 were calculated based on a conversion price of 80% of the 30 day weighted average closing price of \$0.12 and \$0.09 as of December 31, 2025 and 2024, respectively.

Stock-Based Compensation

Stock-based compensation expense for all stock-based payment awards is based on the estimated fair value of the award. For employees, directors and non-employees, the award is measured on the grant date. The Company recognizes the estimated fair value of the award as compensation cost over the requisite service period of the award, which is generally the option vesting term.

Preferred Stock

Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. The Company classifies conditionally redeemable preferred shares, which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders' deficiency.

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Common Stock Warrants and Other Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

The Company evaluated its free-standing warrants to purchase common stock to assess their proper classification in the consolidated balance sheets as of December 31, 2025 and 2024 using the applicable classification criteria enumerated under U.S. GAAP and determined that the common stock purchase warrants contain fixed settlement provisions, therefore they have been classified as equity.

Risks and Uncertainties

Current Wars: Management continues to evaluate the impact of the current wars in Ukraine, Gaza and Iran on the industry and has concluded that it is reasonably possible that the wars could have a negative effect on the Company's financial position or results of its operations. Further, the impact of these actions and related sanctions on the world economy are not

determinable as of the date of these financial statements and the specific impact on the Company's financial condition, results of operations, and cash flows is also not determinable as of the date of these financial statements.

Inflation Reduction Act Excise Tax: On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury (the "Treasury") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax. Any share redemption or other share repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. Whether and to what extent the Company would be subject to the excise tax in connection with a Business Combination, extension vote or otherwise will depend on a number of factors, including (i) the fair market value of the redemptions and repurchases in connection with a Business Combination, extension or otherwise, (ii) the structure of a Business Combination, (iii) the nature and amount of any "PIPE" or other equity issuances in connection with a Business Combination (or otherwise issued not in connection with a Business Combination but issued within the same taxable year of a Business Combination) and (iv) the content of regulations and other guidance from the Treasury. In addition, because the excise tax would be payable by the Company and not by the redeeming stockholder, the mechanics of any required payment of the excise tax have not been determined. The foregoing could reduce the cash available on hand. The IR Act had limited to no impact on the results of operations and cashflows during the year ended December 31, 2025 nor the financial condition as of December 31, 2025.

Recently Adopted Accounting Pronouncements

On December 14, 2023, the FASB issued, ASU 2023-09, Improvements to Income Tax Disclosures, a final standard on improvements to income tax disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard applies to all entities subject to income taxes and is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. For public business entities (PBEs), the new requirements are effective for annual periods beginning after December 15, 2024. The guidance is applied on a prospective basis with the option to apply the standard retrospectively. The Company adopted ASU 2023-09 on a prospective basis beginning with the year ended December 31, 2025. See Note 14 - Income Taxes in the accompanying notes to the consolidated financial statements for further detail.

In July 2025, the FASB issued ASU 2025-05, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets" which provides all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets when estimating credit losses for current accounts receivable and current contract assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025 with early adoption permitted. The Company adopted ASU 2025-05 on a prospective basis beginning with the year ended December 31, 2025 and there was no material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03, Income Statement—Reporting Comprehensive Income (Topic 220) Disaggregation of Income Statement Expenses ("ASU 2024-03"), to enhance the transparency and decision usefulness of financial information presented in the income statement by requiring disaggregated information about certain income statement expense line items. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. The Company has not adopted ASU 2024-03 and is still evaluating the impact it will have on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements," which clarifies the applicability of the interim reporting guidance and provides a comprehensive list of required interim disclosures. The Update also incorporates a disclosure principle that requires entities to disclose events that occur since the end of the last annual reporting period that have a material impact on the entity. The Update will be effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Update should be applied either (1) prospectively to financial statements for reporting periods after the effective date or (2) retrospectively to any

or all prior periods presented in the financial statements. The Company is currently evaluating the impact that the new guidance will have on our consolidated financial statements.

The Company does not believe that any recently issued, but not yet effective accounting standards, when adopted, will have a material effect on the accompanying consolidated financial statements.

4. Property and Equipment, Net

Property and equipment, net consisted of the following:

	<u>December 31,</u>		<u>Useful Life</u> <u>(Years)</u>
	<u>2025</u>	<u>2024</u>	
Computer Software	\$ 577,566	\$ 577,566	5 years
Equipment	1,441,514	1,349,245	10 years
Office Furniture and Equipment	136,541	136,541	7 years
Computer Hardware	103,136	103,136	5 years
Leasehold Improvements	269,058	266,100	(a)
Total	<u>2,527,815</u>	<u>2,432,588</u>	
Less: Accumulated Depreciation	<u>(1,958,226)</u>	<u>(1,682,630)</u>	
Property and Equipment, Net	<u>\$ 569,589</u>	<u>\$ 749,958</u>	

(a) Lesser of useful life or initial term of lease

Depreciation and amortization expense for the above assets for the years ended December 31, 2025 and 2024 was \$275,597 and \$245,673, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Salaries and Benefits	\$ 319,804	\$ 244,324
Deferred Revenue	261,984	212,946
Accrued Corporate & Property Taxes	95,939	32,314
Accounting	81,430	106,611
Sales Tax Payable	74,566	142,452
Accrued Director Fees	64,000	64,000
Accrued Legal	55,138	37,080
Accrued Shipping	22,500	15,755
Advertising	11,945	27,800
Other	36,085	10,667
	<u>\$ 1,023,391</u>	<u>\$ 893,949</u>

6. Notes Payable

Notes payable consisted of the following:

	December 31, 2025	December 31, 2024
Convertible Promissory Note	2,200,000	2,200,000
Less debt discount	<u>(140,475)</u>	<u>-</u>
Total debt	2,059,525	2,200,000
Less current portion	-	-
Long-term debt, less current portion	<u>\$ 2,059,525</u>	<u>\$ 2,200,000</u>

Convertible Promissory Notes

The Company executed convertible note purchase agreements (the “Convertible Purchase Agreements”) and a security agreement, as amended, (the “Convertible Security Agreement”) on February 7, 2020 and April 12, 2020, and convertible secured promissory notes on February 10, 2020 and April 12, 2020 (the “Convertible Notes”) (collectively the “Convertible Note Agreements”). Under the terms of the Convertible Notes, the Company borrowed an aggregate of \$2,200,000 from a group of eleven investors. The Convertible Notes bear interest on the unpaid principal balance until the full amount of principal has been paid or converted to common shares at a fixed rate equal to 7% per annum. Under the terms of the Convertible Notes, the Company has agreed to make quarterly payments of accrued interest of \$38,500 on the last day of every calendar quarter beginning on March 31, 2020. Effective December 31, 2025, the Company entered into amendments to the Convertible Purchase Agreements (the “Fifth Amendment to the Convertible Notes”) and issued amended and restated Convertible Promissory Notes (the “Amended Notes”) to the Convertible Note investors, whereby the maturity dates of the notes were extended from April 30, 2026 to April 30, 2027. As part of the agreement to extend the maturity date, the Company issued warrants to purchase an aggregate of 1,082,840 shares of common stock at an exercise price equal to \$0.12 per share to the holders of the Convertible Notes. The warrants have a term of five years and an aggregate grant date value of \$110,000 which was recognized as a debt discount on the grant date. The debt discount will be amortized over the term of the Convertible Promissory Note. See Note 8 – Stockholders’ Deficiency.

The principal amount and all unpaid accrued interest on the Convertible Notes are payable on April 30, 2027. As of December 31, 2025, the outstanding principal balance on the Convertible Promissory Notes was \$2,200,000, and accrued interest was \$0.

Pursuant to the Convertible Security Agreement, the Company granted a junior security interest in all of the Company's assets, in order to secure the Company's obligation to repay the Convertible Notes. The Convertible Note security interest is junior to up to \$1,000,000 of senior security interests. The Convertible Loan Agreements contain customary negative covenants restricting the Company's ability to take certain actions without the consent of the agent for the Convertible Note holders, including incurring additional indebtedness, transferring or encumbering assets, paying dividends or making certain other payments, and acquiring other businesses. The repayment of the Convertible Promissory Notes 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.

On December 31, 2025, the Company received a waiver from the majority holder of the Series B convertible preferred stock, who is a director of the Company, prior to completing the Amendment to the Convertible Notes. The waiver extended the limitation on indebtedness of \$3,000,000 to April 30, 2027. As part of the agreement to extend the waiver of the debt limitation from April 30, 2026 to April 30, 2027 and maintain the limitation on indebtedness at \$3,000,000, the Series B Preferred shareholders were issued warrants to purchase 300,000 shares of common stock at an exercise price equal to \$0.12 per share. The 30-day weighted average closing share price on the grant date was \$0.12. The warrants have a term of five years and an aggregate grant date value of \$30,475 which was recognized as a debt discount. The debt discount will be amortized using the effective interest method over the term of the Convertible Promissory Note. See Note 8 – Stockholders’ Deficiency.

At any time prior to the maturity date, each purchaser may convert their Convertible Note balance, in whole or in part, into shares of the Company's common stock at conversion rate of \$0.085 per share (the “Conversion Rate”). The Company

may initiate the conversion of the Convertible Notes at any time prior to the maturity date in the event that the 60-day weighted average price of a share of the Company's common stock as reported on OTC Markets exceeds \$0.30 per share. The Conversion Price is subject to adjustment in the event of future dilutive transactions.

Inspira Financial Trust LLC (f/k/a Millennium Trust Company LLC) Custodian FBO Timothy E. Reilly IRA holds \$1,400,000 of the Convertible Note balance, through its initial investment and as part of transactions to replace four of the original investors. The Timothy E. Reilly IRA is owned and controlled by Tim Reilly who is Chairman of the Company and a beneficial owner of more than 5% of the Company's outstanding shares of common stock. As such, the Inspira note is a related party transaction.

As part of a transaction on November 27, 2024 to replace one of the original investors, Joseph Peters purchased \$50,000 of the Convertible Note balance. Mr. Peters is the Chief Executive Officer and a Director of the Company. As such, the Peters note is a related party transaction.

7. Operating Leases

The Company is a party to a lease agreement for office and storage space for its headquarters in Florence, Kentucky. On October 31, 2024, the Company entered into an amendment of the lease agreement which extended the lease for an additional five years to December 31, 2029. The amended monthly lease rate will range between \$18,640 and \$21,806. The Company has an option to extend the term by three years, however, the Company determined that it was not reasonably certain to exercise the renewal option and such renewal was excluded from the operating lease right-of-use, or ROU, asset and operating lease liability recorded for this lease.

The Company is responsible for real estate taxes, maintenance and other operating expenses applicable to the leased premises which are recognized as variable lease expense in the period when incurred.

This lease is classified as an operating lease and is included in operating lease ROU assets and operating lease liabilities. Since the Company's lease did not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments.

Supplemental balance sheet information as of December 31, 2025 is as follows:

Operating lease right-of-use assets	\$ 997,529
Accumulated amortization	<u>(190,524)</u>
Net operating right-of-use-assets	<u>\$ 807,005</u>
Current operating lease liabilities	\$ 172,089
Noncurrent operating lease liabilities	<u>671,461</u>
Total operating lease liabilities	<u>\$ 843,550</u>
Weighted-average remaining lease term (years)	4.0
Weighted-average discount rate	8.1%

The aggregate future minimum lease payments for operating leases as of December 31, 2025 were as follows:

2026	\$ 232,625
2027	241,930
2028	251,607
2029	<u>261,672</u>
Total gross lease payment	\$ 987,834
Less: Imputed interest	<u>(144,284)</u>
Total lease liabilities, reflecting present value of future minimum lease payments	<u>\$ 843,550</u>

During the years ended December 31, 2025 and 2024, the Company recorded aggregate lease expense was \$289,823 and \$183,600, respectively.

8. Stockholders' Deficiency

The Company is authorized to issue up to 175,000,000 shares of common stock with a par value of \$0.001 per share and 1,000,000 shares of preferred stock with a par value of \$0.001 per share.

In October 2020, at the annual meeting of stockholders of the Corporation, the stockholders of the Corporation approved an amendment to the Corporation's Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a ratio of 1-for-50 and to decrease the number of authorized shares of common stock in proportion to the reverse stock split. However, the Board of Directors has not yet determined if or when to effect the reverse stock split.

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. On May 11, 2021, the Company was approved for listing and began trading on the OTCQB Market.

Common Stock

During the years ended December 31, 2025 and 2024, the Company issued an aggregate of 1,036,360 and 930,268 shares of common stock, respectively, to directors of the Company for payment of their accrued noncash portion of their director's fees. The shares had an aggregate grant date values of \$96,000 for the years ended December 31, 2025 and 2024, of which \$24,000 had been accrued and included in accrued expenses and other current liabilities at December 31, 2024 and 2023. The shares were valued at the 30-day weighted average closing share price on the grant date which ranged between \$0.08 and \$0.11 per share in 2025 and between \$0.07 and \$0.13 in 2024.

During the year ended December 31, 2025, the Company issued an aggregate of 100,000 shares of common stock to two individuals that exercised options. The exercise price was \$0.09 per share and the Company received an aggregate of \$9,000.

Stock-based compensation expense related to common stock issued was recorded in the consolidated statements of operations as a component of selling, general and administrative expenses and totaled \$96,000 for the years ended December 31, 2025 and 2024. Stock-based compensation of \$24,000 is included in accrued expenses as other liabilities as of December 31, 2025 and 2024.

Preferred Stock

Series A Preferred Stock

The Company had designated 200,000 of the 1,000,000 authorized shares of preferred stock as Series A Convertible Preferred Stock (“Series A Preferred Stock”). On September 26, 2019, the Board of Directors approved and the Company subsequently filed a Certificate of Elimination of the Series A Preferred Stock of Healthwarehouse.com, Inc. with the state of Delaware on October 17, 2019 in order to reduce and eliminate the 200,000 authorized Preferred Shares – A Series. There were no outstanding Series A Preferred Shares at the time of the elimination.

Series B Preferred Stock

The Company has designated 790,000 of the 1,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock (“Series B Preferred Stock”). The Series B Preferred Stock has voting rights equal to one vote for each common share equivalent, has a liquidation preference equal to its purchase price, and receives preferred dividends equal to 7% of all outstanding shares in either cash or payment-in-kind. The holders can call for the conversion of the Series B Preferred Stock at any time and are entitled to five shares of the Company’s common stock for each share of Series B Preferred Stock converted. MVI Partners, LLC owns a majority of the outstanding shares of the Series B Preferred Stock. Joe Heimbrock is the managing partner of MVI Partners, LLC and serves as a director of the Company appointed by the Series B Preferred Stock shareholders.

In addition, the Series B Preferred Stock is subject to weighted average anti-dilution protection whereby if shares of common stock are sold below the current conversion price, the conversion price is reduced pursuant to a pre-defined formula. As of December 31, 2025 and 2024, Series B holders were entitled to convert into 14.8 shares of the Company’s common stock for each share of Series B Preferred Stock. The investor rights agreement of the Company’s Series B preferred shares limits the total debt of the Company to \$1 million. See Note 6 for the waivers of the limitation of debt to April 30, 2027.

As of December 31, 2025 and 2024, the Company had accrued contractual dividends of \$3,422,329 and \$3,080,096, respectively, related to the Series B Preferred Stock.

Series C Preferred Stock

The Company’s Certificate of Designation designates 10,000 shares of the Company’s preferred stock as Series C Preferred Stock to be issued at an original issue price of \$100 per share. The Series C Preferred Stock has voting rights equal to one vote for each share held, has a liquidation preference equal to its purchase price, and has certain redemption rights available at the option of the holder. The Series C Preferred Stock is not entitled to dividends.

On October 17, 2011, the Company received net cash proceeds of \$1,000,000 for the sale of 10,000 shares of Series C Preferred Stock to a greater than 10% stockholder of the Company. The Company’s Series C preferred shares are considered to be an equity host with a conversion option that is clearly and closely related to the equity host. However, the Series C Preferred shares contain redemption rights which are not solely within the Company’s control, therefore, the Series C Preferred stock is presented as temporary equity. On February 13, 2013, the Company received a Notice of Redemption of Series C Preferred Stock.

On October 29, 2020, the Company entered into a Conversion and Standstill Agreement (the “Agreement”) with the holders of \$1,000,000 principal amount of the Company’s Series C Preferred Stock (10,000 shares). Pursuant to the terms of the Agreement, the holders agreed (i) to retract the redemption request previously submitted in 2013 to the Company, (ii) not to issue a redemption notice until after October 29, 2022 and (iii) to convert up to \$100,000 of the Series C Preferred Stock valued at its original issue price of \$100.00 per share into shares of the Company’s common stock at a conversion price of \$0.18 per share. In addition, the holders may elect to convert up to \$200,000 of the Series C Preferred Stock valued at its original issue price into shares of common stock of the Company each calendar quarter in 2021 and \$250,000 each calendar quarter beginning in 2022. The conversion price was \$0.18 per share through December 31, 2021 and at 80% of the thirty (30) day weighted average closing price of a share of common stock on the OTC Market in 2022 and thereafter. The Company, at its discretion, may initiate the conversion of the remaining outstanding shares of Series C Preferred Stock if the sixty (60) day weighted average closing price exceeds \$0.45 per share and the cumulative trading volume during the same 60-day period exceeds 500,000 shares. The Agreement includes other terms, including provisions relating to change of control and terms related to stock splits, reorganizations, subsequent issuance of preferred stock and piggyback registration rights.

In 2020 and 2022, the holders converted 1,000 and 2,500 of the shares of the Series C Preferred Stock, respectively, which reduced the outstanding shares of the Series C Preferred Stock to 6,500 shares.

The holders of the Series C Preferred Stock entered into a Stock Purchase Agreement effective December 18, 2024 whereby the holders agreed to sell their 6,500 shares of Series C Preferred Stock and 849,366 shares of common stock to Joseph Peters and Daniel Seliga. The transaction is considered a related party transaction as Mr. Peters is the Chief Executive Officer and Director of the Company and Mr. Seliga is the Chief Financial Officer of the Company. This transaction did not have an impact on the financial statements since it was between the two parties and not with the Company.

Subsequent to the purchase, Mr. Peters and Mr. Seliga entered into a Conversion and Standstill Agreement effective December 18, 2024 with the Company whereby they agreed not to issue a redemption notice until after January 1, 2028. As part of the agreement, the holders may elect to convert up to \$250,000 of the Series C Preferred Stock valued at its original issue price into shares of common stock of the Company each calendar quarter, with the conversion price being set at 80% of the thirty (30) day weighted average closing price of a share of common stock on the OTC Market. The Company, at its discretion, may initiate the conversion of the remaining outstanding shares of Series C Preferred Stock if the sixty (60) day weighted average closing price exceeds \$0.45 per share and the cumulative trading volume during the same 60-day period exceeds 500,000 shares. The Agreement includes other terms, including provisions relating to change of control and terms related to stock splits, reorganizations and subsequent issuance of preferred stock.

Incentive Compensation / Stock Option Plans

In 2014, the Company adopted the 2014 Equity Incentive Plan (the “2014 Plan”) which made a total of 6,000,000 shares of common stock authorized and available for issuance pursuant to awards granted under the 2014 Plan.

The 2014 Plan limit imposes individual limitations on the amount of certain awards. Under these limitations during any fiscal year of the Company, the number of options, stock appreciation rights, shares of restricted stock, shares of deferred stock, performance shares and other stock-based awards granted to any one participant under the 2014 Plan may not exceed 1,500,000 shares, subject to adjustment in certain circumstances. The maximum number of shares that may be awarded that are not subject to performance targets is an aggregate of 1,200,000 shares. The maximum term of each option or stock appreciation right, the times at which each option or stock appreciation right will be exercisable, and provisions requiring forfeiture of unexercised options or stock appreciation rights at or following termination of employment generally are fixed by the Committee designated to administer the 2014 Plan, except that no option or stock appreciation right may have a term exceeding ten years. The exercise price per share subject to an option and the grant price of a stock appreciation rights are determined by the Committee, but in the case of an incentive stock option (ISO) must not be less than the fair market value of a share of common stock on the date of grant.

Following the approval of the Board of Directors and stockholders of record as of May 8, 2023, the Company modified certain terms of the 2014 Plan including an increase in the total of shares of common stock authorized and available for issuance pursuant to awards granted under the 2014 Plan to 43,000,000. In addition, an extension of the term of the 2014 Plan was to April 19, 2033 was approved in May 2023.

Stock Options

Grants

The weighted average fair value of the stock options granted during the year ended December 31, 2025 was \$0.09.

During the year ended December 31, 2025, the Company granted options to executives of the Company to purchase an aggregate of 1,800,000 shares of common stock under a previously approved plan at an exercise price \$0.08 per share for an aggregate grant date value of \$129,082. The options vest over a three-year period and have a term of ten years. Stock based compensation related to these grants for the year ended December 31, 2025 was \$40,343.

During the year ended December 31, 2025, the Company granted options to directors of the Company to purchase an aggregate of 2,069,508 shares of common stock under a previously approved plan at exercise price ranging from \$0.08 to \$0.11 per share for an aggregate grant date value of \$160,000. The options vested on the grant date and have a term of ten years.

Stock based compensation related to these grants for the year ended December 31, 2025 was \$160,000, of which \$40,000 was included in accrued expenses and other liabilities as of December 31, 2024.

During the year ended December 31, 2024, the Company granted stock options to two executives to purchase an aggregate of 7,800,000 shares of common stock under the 2014 Plan at an exercise price of \$0.13 per share, which was the 30-day weighted average closing price for the Company's common stock on the date of grant. The total options granted included options to purchase an aggregate of 6,000,000 shares of common stock that were issued to replace options previously issued to executives in 2021, 2022 and 2023. The new and reissued options had an aggregate grant date value of \$599,088, vest over a three-year period and have a term of ten years. The issuance of the replacement options was treated as a modification of the original options granted. The grant date value of the replacement options was the total of the remaining unamortized grant date value of the original options of \$296,582 plus the incremental value of the new options over the value of the original options prior to the grant date of \$91,160. The grant date value of the new options will be amortized over the vesting period of the new options. Stock based compensation related to these grants for the year ended December 31, 2025 was \$199,696.

During the year ended December 31, 2024, the Company granted options to directors of the Company to purchase an aggregate of 1,797,052 shares of common stock under a previously approved plan at exercise price ranging from \$0.07 to \$0.13 per share for an aggregate grant date value of \$160,000. The options vested on the grant date and have a term of ten years. Stock based compensation related to these grants for the year ended December 31, 2024 was \$160,000, of which \$40,000 was included in accrued expenses and other liabilities as of December 31, 2023.

Exercise

During the twelve months ended December 31, 2025, the Company received proceeds of \$9,000 from the exercise of options to purchase 100,000 shares of common stock. The options had an exercise price of \$0.09 per share.

Valuation

In applying the Black-Scholes option pricing model to stock options granted during the years ended December 31, 2025 and 2024, the Company used the following weighted average assumptions:

	Year Ended December 31	
	2025	2024
Risk-free interest rate	3.75% to 4.50%	3.84% to 4.35%
Expected dividend yield	0.0%	0.0%
Expected volatility	115.2% to 127.9	126.8% to 130.8%
Weighted average expected life in years	5.0 to 6.0	5.0 to 6.0

The expected volatility is calculated using the historical volatility of our stock using the daily closing price of our shares. Forfeitures are accounted for as they occur. The expected life of our employee stock options are calculated by using the "simplified" method, whereby, the expected life equals the average of the vesting term and the original contractual term of the option. The risk-free interest rates were based on the U.S. Treasury yield curve in effect during the period the options were granted and based on a maturity similar to the expected life of the option. The stock price used on the grant date was calculated using the 30-day weighted average closing share price on the grant date which ranged between \$0.08 and \$0.11 per share in 2025 and between \$0.07 and \$0.13 in 2024.

Stock-based compensation expense related to stock options was recorded in the consolidated statements of operations as a component of selling, general and administrative expenses and totaled \$564,840 and \$654,087 for the years ended December 31, 2025 and 2024, respectively. Stock-based compensation of \$40,000 is included in accrued expenses and other liabilities as of December 31, 2025.

As of December 31, 2025, stock-based compensation expense related to stock options of \$309,452 remains unamortized which is being amortized over the weighted average remaining period of 1.3 years.

Summary

A summary of the stock option activity during the years ended December 31, 2025 and 2024 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2024	21,773,925	\$ 0.17		
Granted	9,597,052	0.12		
Exercised	-	-		
Forfeited/Cancelled	<u>(6,168,666)</u>	0.17		
Outstanding, January 1, 2025	25,202,311	\$ 0.16		
Granted	3,869,508	0.09		
Exercised	(100,000)	0.09		
Forfeited/Cancelled	<u>(742,667)</u>	0.13		
Outstanding, December 31, 2025	<u>28,229,152</u>	<u>\$ 0.15</u>	<u>6.9</u>	<u>\$ 189,769</u>
Exercisable, December 31, 2025	<u>20,228,887</u>	<u>\$ 0.16</u>	<u>6.4</u>	<u>\$ 117,769</u>

The following table presents information related to stock options outstanding and exercisable at December 31, 2025:

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
\$0.07 - \$0.20	\$ 0.13	25,948,544	\$ 0.14	6.8	17,948,279
\$0.22 - \$0.36	\$ 0.32	<u>2,280,608</u>	\$ 0.32	3.1	<u>2,280,608</u>
\$0.07 - \$0.36	\$ 0.15	<u>28,229,152</u>	\$ 0.16	6.4	<u>20,228,887</u>

Warrants

Grants

During the year ended December 31, 2025, the Company issued warrants to purchase an aggregate of 1,082,840 shares of common stock to the holders of the Convertible Notes as part of the agreement to extend the maturity date. The warrants were issued at an exercise price of \$0.12 which was the 30-day weighted average closing share price on the grant date. The warrants have a term of five years and an aggregate grant date value of \$110,000 which was recognized as a debt discount on the grant date. See Footnote 6 – Notes Payable.

During the year ended December 31, 2025, the Company issued warrants to purchase an aggregate of 300,000 shares of common stock to the holders of the Series B Preferred as part of the agreement to extend the waiver of the debt limitation. The warrants were issued at an exercise price of \$0.12 which was the 30-day weighted average closing share price on the grant date. The warrants have a term of five years and an aggregate grant date value of \$30,435 which was recognized as a debt discount on the grant date. See Footnote 6 – Notes Payable.

During the year ended December 31, 2024, the Company issued warrants to purchase an aggregate of 300,000 shares of common stock to the holders of the Series B Preferred as part of the agreement to extend the waiver of the debt limitation. The warrants were issued at an exercise price of \$0.085 and the 30-day weighted average closing share price on the grant date was \$0.09. The warrants have a term of five years and an aggregate grant date value of \$23,232 which was recognized as an increase in paid-in capital on the grant date. See Footnote 6 – Notes Payable.

During the year ended December 31, 2023, the Company issued warrants to purchase an aggregate of 176,127 shares of common stock to the holders of the Series B Preferred as part of the agreement to extend the waiver of the debt limitation. The warrants were issued at an exercise price of \$0.13 which was the 30-day weighted average closing share price on the grant date. The warrants have a term of five years and an aggregate grant date value of \$20,000 which was recognized as a debt premium on the grant date. See Footnote 6 – Notes Payable.

Valuation

In applying the Black-Scholes option pricing model to stock warrants granted, the Company used the following weighted average assumptions:

	Year Ended December 31	
	2025	2024
Risk-free interest rate	3.69%	3.58%
Expected dividend yield	0.00%	0.00%
Expected volatility	123.2%	126.5%
Weighted average expected life (contractual term) in years	5.0	5.0

The expected volatility is calculated using the historical volatility of our stock using the daily closing price of our shares. The expected life of the warrants is based on the original contractual term of the warrant. The risk-free interest rates were based on the U.S. Treasury yield curve in effect during the period the warrants were granted and based on a maturity similar to contractual term of the warrant. The stock price used on the grant date was calculated using the 30-day weighted average closing share price on the grant date which was \$0.12 and \$0.09 per share in 2025 and 2024, respectively.

Summary

A summary of the stock warrant activity during the years ended December 31, 2025 and 2024 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, January 1, 2024	940,127	\$ 0.12		
Granted	300,000	0.09		
Exercised	-	-		
Forfeited	-	-		
Outstanding, January 1, 2025	1,240,127	\$ 0.11		
Granted	1,382,840	0.12		
Exercised	-	-		
Forfeited	(500,000)	0.11		
Outstanding, December 31, 2025	<u>2,122,967</u>	<u>\$ 0.12</u>	<u>4.2</u>	<u>\$ 10,500</u>
Exercisable, December 31, 2025	<u>2,122,967</u>	<u>\$ 0.12</u>	<u>4.2</u>	<u>\$ 10,500</u>

The following table presents information related to stock warrants at December 31, 2025:

Range of Exercise Price	Warrants Outstanding		Warrants Exercisable		
	Weighted Average Exercise Price	Outstanding Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
\$0.08 - \$0.14	\$ 0.12	2,122,967	\$ 0.12	4.2	2,122,967

9. Commitments and Contingent Liabilities

Employment Agreement

Effective January 1, 2020, the Company entered into employment agreements with Joseph Peters and Daniel Seliga contracts (the “Employment Agreements”). The terms of the Employment Agreements include a term of one year beginning on January 1, 2020 with an extension provision allowing for automatic one-year extensions unless the Company or the employee provides advanced written notice of non-renewal, the titles and positions of Chief Executive Officer and Chief Financial Officer, respectively, a base salary, subject to certain bonus and severance provisions. Effective January 1, 2025, the Compensation Committee approved an increase in the base salaries for Mr. Peters and Mr. Seliga to \$186,000 and \$182,000 per year, respectively. Each of the officers are bound by restrictive covenants contained in the Employment Agreements regarding disclosure of confidential information, non-solicitation and employee non-competition.

On February 8, 2023, Mr. Peters and Mr. Seliga were granted options to purchase 1,000,000 and 800,000 shares of common stock, respectively, under the 2014 Plan at an exercise price of \$0.17 per share for an aggregate grant date value of \$274,108. The options vest over a three-year period and have a term of ten years. On January 28, 2022, Mr. Peters and Mr. Seliga were granted options to purchase 1,000,000 and 800,000 shares of common stock, respectively, under the 2014 Plan at an exercise price of \$0.15 per share for an aggregate grant date value of \$278,941. The options vest over a three-year period and have a term of ten years.

On January 17, 2024, Mr. Peters and Mr. Seliga were granted options to purchase 4,200,000 and 3,600,000 shares of common stock, respectively, under the 2014 Plan at an exercise price of \$0.13 per share for an aggregate grant date value of \$274,108. The options vest over a three-year period and have a term of ten years. The options granted included options to purchase an aggregate of 6,000,000 shares of common stock that were issued to replace options previously issued to executives in 2021, 2022 and 2023.

On January 24, 2025, Mr. Peters and Mr. Seliga were granted options to purchase 1,000,000 and 800,000 shares of common stock, respectively, under the 2014 Plan at an exercise price of \$0.08 per share for an aggregate grant date value of \$129,082. The options vest over a three-year period and have a term of ten years.

On January 19, 2026, Mr. Peters and Mr. Seliga were granted options to purchase 1,000,000 and 800,000 shares of common stock, respectively, under the 2014 Plan at an exercise price of \$0.12 per share for an aggregate grant date value of \$191,572. The options vest over a three-year period and have a term of ten years. See Footnote 14 – Subsequent Events.

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. Our management does not presently expect that any current outstanding matters will have a material adverse effect on the Company's consolidated financial condition or consolidated results of operations. We are not currently involved in any pending or threatened material litigation or other material legal proceedings nor have we been made aware of any penalties from regulatory audits, except as described below.

On March 31, 2023, a class action complaint was filed in the United States District Court, Southern District of California against the Company (Shahnaz Zarif, individually and on behalf of others similarly situated, Plaintiff, v. Hwareh.com, Inc., Defendant). The Complaint alleges the Company conducted the unauthorized interception, collection, recording and dissemination of communications and data in violation of the Federal Wiretap Act, 18 U.S.C. Section 2510 et seq, the California Invasion of Privacy Act, Cal. Pen. Code Section 631; the California Confidentiality of Medical Information Act, Cal. Civ. Code Section 56, et seq; and the California Consumer Privacy Act Cal. Civ. Code Section 1798.100, et seq. The Plaintiff sought to certify several classes of similarly situated persons and filed suit for, among other things, injunctive relief, statutory monetary damages and attorneys' fees. On August 12, 2025, the parties entered into a settlement agreement whereby the Plaintiff agreed to dismiss the case upon receipt of a nominal settlement amount from the Company. The complaint was dismissed on October 14, 2025.

On June 16, 2025, a complaint was filed in the Supreme Court of the State of New York, County of Kings against the Company (Juan Santana, individually, Plaintiff v. Hwareh.com, Inc., Defendant). The Plaintiff contends that the Company has failed or is failing to comply with the applicable laws prohibiting the discrimination against people who are blind and / or visually impaired affecting their capacity to use the Company's website, alleging violations of (i) the New York State Human Rights Law (N.Y. Exec. Law section 290, (ii) the New York State Civil Rights Law (Civil Rights Law Section 40), and (iii) the New York City Human Rights Law (N.Y.C. Admin. Code Section 8-101). The Plaintiff is seeking, among other things, (i) statutory money damages, actual damages and punitive damages (ii) an injunction requiring the Company to have the website fully compliant with the laws stated above and (iii) attorneys' fees and other costs. On October 7, 2025, the parties entered into a settlement agreement whereby the Plaintiff agreed to dismiss the case upon receipt of a nominal settlement amount from the Company. The complaint was dismissed on October 15, 2025.

10. Concentrations

The Company maintains deposits in financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times, the Company has deposits in these financial institutions in excess of the amount insured by the FDIC.

During the year ended December 31, 2025, three customers represented 25%, 22% and 10% of total sales. During the year ended December 31, 2024, one customer represented 38% of total sales.

Two customers represented 35% and 10% of the accounts receivable balance as of December 31, 2025. Four customers represented 19%, 17%, 11% and 11% of the accounts receivable balance as of December 31, 2024. The customers noted above are related to Partner Services sales.

During the year ended December 31, 2025, two suppliers represented 64% and 20% of total inventory purchases. During the year ended December 31, 2024, three suppliers represented 54%, 24% and 9% of total inventory purchases.

Three vendors represented 31%, 15% and 10% of the accounts payable balance as of December 31, 2025. Three vendors represented 33%, 12% and 11% of the accounts payable balance as of December 31, 2024.

11. Related Party Transactions

The Company executed convertible note purchase agreements (the "Convertible Purchase Agreements") and a security agreement, as amended, (the "Convertible Security Agreement") and convertible secured promissory notes (the "Convertible Notes") (collectively the "Convertible Note Agreements") totaling \$2,200,000 with \$1,661,969 of cash proceeds, net of costs associated with the transaction. Of the total, \$1,000,000 of the Convertible Note Agreements were held by Inspira Financial Trust LLC (f/k/a Millennium Trust Company LLC) Custodian FBO Timothy E. Reilly IRA. In 2023 and 2024, Inspira Financial Trust LLC Custodian for Timothy E. Reilly IRA purchased an additional \$400,000 of Convertible Notes in transactions to replace some of the initial investors. The Timothy E. Reilly IRA is owned and controlled by Tim Reilly who is Chairman of the Company. As such, the Inspira investment in the Convertible Notes transaction is a related party transaction. See Note 6 – Notes Payable.

In 2024, Joseph Peters purchased \$50,000 of Convertible Notes in a transaction to replace one of the original investors. Mr. Peters is the Chief Executive Officer of the Company. As such, the Peters Convertible Note transaction is a related party transaction. See Note 6 – Notes Payable.

Joe Heimbrock, a director of the Company, is the manager member of MVI Partners LLC. MVI Partners LLC is the majority owner of the Series B Preferred shares, holding 494,313 shares. When combined, Mr. Heimbrock and MVI Partners LLC beneficially own more than 5% of the Company. As such, MVI Partners LLC is deemed to be a related party to the Company.

Effective December 18, 2024, the holders of the Series C Preferred Stock entered into a Stock Purchase Agreement with Joseph Peters and Daniel Seliga whereby the holders agreed to sell their 6,500 shares of Series C Preferred Stock and 849,366 shares of common stock to Mr. Peters and Mr. Seliga. Subsequent to the purchase, Mr. Peters and Mr. Seliga entered into a Conversion and Standstill Agreement effective December 18, 2024 with the Company whereby they agreed not to issue a redemption notice until after January 1, 2028. As part of the agreement, the holders may elect to convert up to \$250,000 of the Series C Preferred Stock valued at its original issue price into shares of common stock of the Company each calendar quarter, with the conversion price being set at 80% of the thirty (30) day weighted average closing price of a share of common stock on the OTC Market. The transactions are considered related party transactions as Mr. Peters is the Chief Executive Officer and Director of the Company and Mr. Seliga is the Chief Financial Officer of the Company. See Note 8- Stockholder's Deficiency.

The Company entered into an agreement with Mannix Marketing, Inc. in March 2023 to provide various marketing services including digital advertising and branding. During 2025, Mannix Marketing invoiced \$86,330 to the Company for those services which was included in selling, general and administrative expenses, of which the Company paid \$94,500 as of December 31, 2025. Sarah Mannix is President of Mannix Marketing, Inc. and is a director of the Company. As such, the services provided by Mannix Marketing are related party transactions.

12. Income Taxes

The components of income tax provision for the years ended December 31, 2025 and 2024 was as follows:

	For The Years Ended	
	December 31,	
	2025	2024
Federal:		
Current	\$ -	\$ -
Deferred	163,173	30,378
State and local:		
Current	75,250	-
Deferred	(26,302)	(18,496)
	212,121	11,882
Change in valuation allowance	(136,871)	(11,882)
Income tax provision	<u>\$ 75,250</u>	<u>\$ -</u>

All income from continuing operations is from domestic operations as there is no income from foreign operations.

The Company adopted ASU 2023-09 "Income Taxes (Topic 740): Improvements To Income Tax Disclosures" on a prospective basis beginning with the year ended December 31, 2025. The following table presents required disclosure pursuant to ASU 2023-09 and reconciles the U.S. federal statutory tax amount and rate to our actual effective amount and rate for the year ended December 31, 2025:

	For the Year Ended	
	December 31, 2025	
U.S. federal statutory tax rate	\$ 71,391	21.0%
State and local income taxes, net of federal benefit (1)	59,448	17.5%
Changes in valuation allowances	(163,173)	(48.0%)
Nontaxable or nondeductible items		
Share-based payment awards	94,619	27.8%
Other	12,965	3.8%
Income tax provision (benefit) and effective tax rate	<u>\$ 75,250</u>	<u>22.1%</u>

(1) State taxes in California made up more than 50% of this category

For the year ended December 31, 2024, the expected tax expense (benefit) based on the statutory rate is reconciled with the actual tax expense (benefit) as follows:

	For the Year Ended December 31, 2024	
	Amount	Percentage
US Federal statutory rate	\$ (69,190)	21.0%
Domestic state and local income taxes, net of federal benefit	(8,015)	2.4%
Change in valuation allowance	(30,377)	9.2%
Nontaxable and non deductible items:		
Share-based payment awards	\$ 103,758	(31.5%)
Other	3,824	(1.2%)
Income tax provision	\$ -	0.0%

The effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
Deferred tax assets:		
Net operating loss carryforwards	\$ 3,818,219	\$ 4,056,293
Stock-based compensation	465,259	421,668
Debt discount	33,754	-
Inventory reserves	2,752	2,660
Deferred revenue	63,165	48,801
Accruals	84,723	86,137
Lease Liability	8,811	5,219
Total deferred tax assets	4,476,683	4,620,778
Valuation allowance	(4,416,069)	(4,552,940)
Deferred tax assets, net of valuation allowance	60,614	67,838
Deferred tax liabilities		
Property and equipment	(60,614)	(67,838)
Deferred tax liabilities	(60,614)	(67,838)
Net deferred tax assets	\$ -	\$ -
Change in valuation allowance	\$ (136,871)	\$ (11,882)

The Company assesses the likelihood that deferred tax assets will be realized. To the extent that realization is not likely, a valuation allowance is established. Management believes that it is more likely than not that all of the future benefits of deferred tax assets may not be realized and has established a full valuation allowance for the years ended December 31, 2025 and 2024.

The Company complies with the provisions of ASC 740-10 in accounting for its uncertain tax positions. ASC 740-10 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company has determined that the Company has no significant uncertain tax positions requiring recognition under ASC 740-10 and therefore has not included a tabular roll forward of unrecognized tax benefits. As there are no uncertain tax positions recognized, interest and penalties have not been accrued.

The Company files income tax returns in the U.S. Federal jurisdiction and various state and local jurisdictions, and its federal, state and local income tax returns for the tax years beginning in 2021 remain subject to examination. The Company does not currently have any Federal or State audit examinations in process by taxing authorities. The Company is in the process of filing its federal and state tax returns for the year ended December 31, 2025. When these returns are filed for the year ended December 31, 2025, the Company will have \$16,418,995 and \$17,531,011 of federal net operating loss (NOL's) carryforwards that may be available to offset future taxable income as of December 31, 2025 and 2024, respectively. The federal net operating loss carryforwards generated prior to 2018, if not utilized, will expire from 2029 to 2038. The federal net operating loss carryforwards generated in 2018 will carryforward indefinitely. As of December 31, 2025 and 2024, the Company had approximately \$9,363,033 and \$9,434,776 of state net operating loss carryforwards available to offset future taxable income. The state NOLs, if not utilized, will expire beginning in 2031.

In accordance with Section 382 of the Internal Revenue code, the usage of the Company's net operating loss carryforwards could be limited in the event of a change in ownership. Based upon a study that analyzed the Company's stock ownership, a change of ownership was deemed to have occurred in 2011. This change of ownership created an annual limitation on the usage of the Company's losses which are available through 2031. A full Section 382 analysis has not been prepared since 2011 and any NOLs arising since 2011 could be subject to limitation under Section 382. Such limitation would not have a material impact on the financial statements given that the deferred tax assets for the NOL's are fully offset by the valuation allowance.

The Company adopted ASU 2023-09 on a prospective basis for the year ended December 31, 2025 and has included the following table as a result of adoption, which presents income taxes paid (net of refunds received) for the year ended December 31, 2025:

	For the Year Ended December 31, 2025
US Federal	\$ -
State and local:	
California	17,038
Kentucky city and county tax	10,825
Texas	6,008
Other	13,085
State and local subtotal	<u>46,956</u>
Total cash paid for income taxes (net of refunds)	<u>\$ 46,956</u>

13. Segment Information

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company operates as a single reporting segment, focusing on the sale and fulfillment of prescription and over-the-counter medications and medical devices. The accounting policies of the segment are the same as those described in the summary of significant accounting policies. The Company's measure of segment profit or loss is net loss. The Chief Executive Officer ("CEO") of the Company is the CODM, who manages and allocates resources to the operations of the Company on a total company basis through the review of the consolidated financial information. Managing and allocating resources on a consolidated basis enables the CEO to assess the overall level of resources available and how to best deploy these resources across the organization and align with the Company's long-term strategic goals. Consistent with this decision-making process, the CEO uses consolidated financial information for purposes of evaluating performance, forecasting future period financial results, allocating resources and setting incentive targets.

The following table is representative of the significant expense categories regularly provided to the CODM when managing the Company's single reporting segment.

(000's)	Year Ended December 31,	
	2025	2024
Sales	\$ 48,994	\$ 33,614
Cost of Goods Sold	(31,852)	(19,489)
Salary & Related Expense	(6,315)	(5,871)
Shipping & Shipping Supplies Expense	(5,095)	(3,629)
Advertising & Marketing	(1,026)	(742)
Non Cash Expenses	(1,016)	(1,076)
Other Expenses	(3,425)	(3,140)
Net Income (Loss)	<u>\$ 265</u>	<u>\$ (333)</u>

14. Subsequent Events

The Company evaluates events that have occurred after the balance sheet date through the date 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 consolidated financial statements, except as noted below:

Issuance of Common Stock and Options to Directors

On January 15, 2026, the Company issued an aggregate of 200,000 shares of common stock and options to purchase 391,924 shares of common stock to directors of the Company for payment of their accrued noncash portion of their director's fees for the fourth quarter of 2025. The shares had an aggregate grant date value of \$24,000 and were valued at \$0.12 per share, which was the 30-day weighted average closing price for the Company's common stock on the date of grant. The options had an exercise price of \$0.12 per share and had a grant date value of \$40,000. The aggregate amount of the grant date value of the common stock and options is included in accrued expenses as other liabilities as of December 31, 2025.

Issuance of Options to Executives

On January 19, 2026, the Company granted stock options to purchase an aggregate of 1,800,000 shares of common stock under the 2014 Plan to executives of the Company as recognition of their contributions to the Company. The options had an exercise price of \$0.12 per share which was the 30-day weighted average closing price for the Company's common stock on the date of grant. The options vest over a three-year period and have a term of ten years. The options had an aggregate grant date value of \$191,572.