

HealthWarehouse.com, Inc.
Form 10-Q
August 19, 2014

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-13117

HealthWarehouse.com, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

22-2413505
(I.R.S. Employer
Identification No.)

7107 Industrial Road, Florence, Kentucky
(Address of Principal Executive Offices)

41042
(Zip Code)

(800) 748-7001
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

There were 26,550,380 shares of Common Stock outstanding as of August 14, 2014

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HEALTHWAREHOUSE.COM, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 43,783 | \$ 67,744 |
| Accounts receivable, net of allowance of \$50,957 and \$250,828 as of June 30, 2014 and December 31, 2013 | 87,886 | 307,211 |
| Inventories - finished goods, net | 171,666 | 277,300 |
| Prepaid expenses and other current assets | 29,983 | 59,143 |
| Total current assets | 333,318 | 711,398 |
| Property and equipment, net of accumulated depreciation of \$637,421 and \$576,590 as of June 30, 2014 and December 31, 2013 | 563,804 | 624,634 |
| Web development costs, net of accumulated amortization of \$37,699 and \$14,643 as of June 30, 2014 and December 31, 2013 | 128,508 | 83,780 |
| Total assets | \$ 1,025,630 | \$ 1,419,812 |
| Liabilities and Stockholders' Deficiency | | |
| Current liabilities: | | |
| Accounts payable – trade | \$ 2,980,174 | \$ 3,310,000 |
| Accounts payable – related parties | 48,674 | 83,691 |
| Accrued expenses and other current liabilities | 560,235 | 621,052 |
| Deferred revenue | 37,486 | 95,792 |
| Current portion of equipment lease payable | 60,304 | 56,323 |
| Notes payable and other advances, net of debt discount of \$163,564 as of June 30, 2014 | 586,436 | - |
| Note payable and other advances – related parties | 78,095 | 78,095 |
| Redeemable preferred stock - Series C; par value \$0.001 per share; 10,000 designated Series C: 10,000 issued and outstanding as of June 30, 2014 and December 31, 2013 (aggregate liquidation preference of \$1,000,000) | 1,000,000 | 1,000,000 |
| Total current liabilities | 5,351,404 | 5,244,953 |

Long term liabilities:

| | | |
|---|-----------|-----------|
| Notes payable, net of debt discount of \$24,533 as of June 30, 2014 and \$269,998 as of December 31, 2013 | 75,467 | 430,002 |
| Long term portion of equipment lease payable | 78,983 | 109,964 |
| Total long term liabilities | 154,450 | 539,966 |
| Total liabilities | 5,505,854 | 5,784,919 |

Commitments and contingencies

Stockholders' deficiency:

| | | |
|--|---------------|---------------|
| Preferred stock – par value \$0.001 per share; authorized 1,000,000 shares; issued and outstanding as of June 30, 2014 and December 31, 2013 as follows: | | |
| Convertible preferred stock - Series A – 200,000 shares designated Series A; 44,443 shares available to be issued; no shares issued and outstanding | - | - |
| Convertible preferred stock - Series B – 625,000 shares designated Series B; 451,879 and 422,315 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively (aggregate liquidation preference of \$4,419,716 and \$4,270,257 as of June 30, 2014 and December 31, 2013, respectively) | 452 | 422 |
| Common stock – par value \$0.001 per share; authorized 50,000,000 shares; 27,729,592 and 27,708,303 shares issued and 26,550,380 and 26,529,091 shares outstanding as of June 30, 2014 and December 31, 2013, respectively | 27,731 | 27,708 |
| Additional paid-in capital | 27,866,404 | 27,166,147 |
| Employee advances | (4,286) | (9,001) |
| Treasury stock, at cost, 1,179,212 shares as of June 30, 2014 and December 31, 2013 | (3,419,715) | (3,419,715) |
| Accumulated deficit | (28,950,810) | (28,130,668) |
| Total stockholders' deficiency | (4,480,224) | (4,365,107) |
| Total liabilities and stockholders' deficiency | \$ 1,025,630 | \$ 1,419,812 |

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

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|---------------|--------------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net sales | \$ 1,462,454 | \$ 2,674,761 | \$ 3,179,418 | \$ 5,084,677 |
| Cost of sales | 590,894 | 1,339,120 | 1,322,302 | 2,574,276 |
| Gross profit | 871,560 | 1,335,641 | 1,857,116 | 2,510,401 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 1,150,985 | 1,546,446 | 2,368,646 | 3,935,549 |
| Loss from operations | (279,425) | (210,805) | (511,530) | (1,425,148) |
| Other income (expense): | | | | |
| Loss on extinguishment of debt | - | - | - | (2,792,900) |
| Interest expense | (85,617) | (58,182) | (159,153) | (129,305) |
| Total other expense | (85,617) | (58,182) | (159,153) | (2,922,205) |
| Net loss | (365,042) | (268,987) | (670,683) | (4,347,353) |
| Preferred stock: | | | | |
| Series B convertible contractual dividends | (74,729) | (69,840) | (149,459) | (139,680) |
| Series B convertible deemed dividends | - | - | - | (1,532,722) |
| Net loss attributable to common stockholders | \$ (439,771) | \$ (338,827) | \$ (820,142) | \$ (6,019,755) |
| Per share data: | | | | |
| Net loss – basic and diluted | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.21) |
| Series B convertible contractual dividends | (0.00) | (0.00) | (0.01) | (0.01) |
| Series B convertible deemed dividends | - | - | - | (0.07) |

| | | | | |
|---|------------|------------|------------|------------|
| Net loss attributable to common stockholders - basic and diluted | \$ (0.01) | \$ (0.01) | \$ (0.04) | \$ (0.29) |
| Weighted average number of common shares outstanding - basic and diluted | 26,550,380 | 25,216,138 | 26,548,616 | 20,439,551 |

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

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

| | For the Six Months Ended June 30 | |
|--|-------------------------------------|-----------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Net loss | \$ (670,683) | \$ (4,347,353) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| P | | |