

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

Quarterly Report

For the quarter ended March 31, 2019

As of March 31, 2019, the number of shares outstanding of our Common Stock was 49,718,637.

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

HEALTHWAREHOUSE.COM, INC.

Quarterly Report

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PART I – ENTITY AND SECURITY INFORMATION

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

HealthWarehouse.com, Inc. (the “Company”, “Issuer” or “HEWA”). The Company is an active corporation and in good standing in Delaware.

Formerly Ion Networks, Inc., formed on August 5, 1998 as a Delaware company.

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

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

2) Security Information

Security information as of March 31, 2019:

Title and Class of Security	Par Value	Trading Symbol	CUSIP	Total Shares Authorized	Total Shares Outstanding	Public Float	Shareholders of Record
Common Stock	\$0.001	HEWA	42227G202	100,000,000	49,718,637	11,417,127	254
Preferred Stock – Series A	\$0.001	Not Applicable	Not Applicable	200,000	-0-	-0-	0
Preferred Stock – Series B	\$0.001	Not Applicable	Not Applicable	625,000	517,359	-0-	2
Preferred Stock – Series C	\$0.001	Not Applicable	Not Applicable	10,000	10,000	-0-	3

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.

Transfer Agent:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: (718) 921-8200

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

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

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None.

3) Issuance History

A. Changes to the Number of Outstanding Shares

Number of Shares outstanding as of January 1, 2017		Opening Balance							
		Common		42,582,613					
		Preferred Series B		517,359					
		Preferred Series C		10,000					
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
1/6/17	New	66,660	Common	\$0.12	Yes	Daniel Seliga, former Employee (current CFO)	Exercise of stock option	Restricted	
3/23/17	New	302,001	Common	\$0.25	No	Directors (Scott, Ross, Heimbrock, Weiss)	Stock Based Compensation	Restricted	
4/3/17	New	400,000	Common	\$0.22	No	Tom Bosse	Extinguishment of Accounts Payable for Legal services.	Restricted	
4/6/17	New	411,490	Common	\$0.16	No	Directors (Scott, Ross, Heimbrock, Weiss, Smyjunas)	Stock Based Compensation	Restricted	
4/7/17	New	937,500	Common	\$0.16	No	Joseph Heimbrock, Director	Sales of stock under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933	Restricted	
4/7/17	New	625,000	Common	\$0.16	No	Cormag Holdings, Ltd. (Mark Scott, Director)	Sales of stock under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933	Restricted	
4/7/17	New	312,500	Common	\$0.16	No	Osgar Holdings Ltd.	Sales of stock under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933	Restricted	
8/24/17	New	16,667	Common	\$0.11	Yes	Luke Hoffman, Employee	Exercise of stock option	Restricted	
9/1/17	New	210,652	Common	\$0.25	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
9/7/17	New	1,000	Common	\$0.35	Yes	Terri Woods, Employee	Exercise of stock option	Restricted	
11/9/17	New	1,000	Common	\$0.35	Yes	China Childers, Employee	Exercise of stock option	Restricted	
11/13/17	New	66,660	Common	\$0.09 - \$0.11	Yes	Sharon Highlander, Former Employee	Exercise of stock option	Restricted	
10/5/17	New	103,920	Common	\$0.51	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
10/27/17	New	300,000	Common	\$0.20	Yes	Plough Penny Partners L.P.	Exercise of stock warrants	Restricted	
11/10/17	New	1,333,334	Common	\$0.24	Yes	Cormag Holdings, Ltd. (Mark Scott, Director)	Exercise of stock warrants	Restricted	
1/10/18	New	123,256	Common	\$0.43	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
2/1/18	New	537,500	Common	\$0.25	Yes	Eugene McKenna, Greg Matzel, James Wicklund, Michael McKenna, PJ Burbach, Will Gilbert, Hein Tran	Cashless exercise of stock warrants	Restricted	
2/26/18	New	274,219	Common	\$0.25	Yes	Scott Greiper	Cashless exercise of stock warrants	Restricted	
3/14/18	New	50,000	Common	\$0.60	No	Joseph Peters	Stock Based Compensation	Restricted	
4/18/18	New	86,884	Common	\$0.61	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
7/10/18	New	96,364	Common	\$0.55	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
8/21/18	New	10,000	Common	\$0.09	Yes	Melissa Greenlee	Exercise of stock option	Restricted	
10/17/18	New	169,328	Common	\$0.31	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
1/8/19	New	213,708	Common	\$0.25	No	Directors (Scott, Heimbrock, Weiss, Britts)	Stock Based Compensation	Restricted	
2/11/19	New	486,381	Common	\$0.26	No	Executives (Peters, Seliga)	Stock Based Compensation	Restricted	
Number of Shares outstanding as of March 31, 2019		Ending Balance							
		Common		49,718,637					
		Preferred Series B		517,359					
		Preferred Series C		10,000					

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 9 - Subsequent Events to the Company's consolidated financial statements below for information related to the Company's issuance of common stock related to stock-based compensation for directors and executives.

B. Debt Securities, Including Promissory and Convertible Notes

Date of Note Issuance	Outstanding Balance (\$) as of 3/31/2019	Principal Amount at Issuance (\$)	Interest Accrued (\$) as of 3/31/2019	Maturity Date	Conversion Terms	Name of Note Holder	Reason for Issuance
4/7/17	\$ -	\$ 1,000,000	n/a	3/31/2018	None	Kapok Ventures Limited	Repay existing indebtedness
10/31/17	\$ 1,989,678	\$ 2,000,000	\$ 16,705	9/30/2019, as amended	None	Kapok Ventures Limited	Refinance existing loan balance and partially fund purchase of automation equipment
12/6/17	\$ -	\$ 400,000	n/a	5/31/2018, as amended	None	Melrose Capital Advisors, LLC	To fund litigation settlement
5/31/18	\$ 500,000	\$ 500,000	\$ 4,247	9/30/2019, as amended	None	Melrose Capital Advisors, LLC	Refinance existing loan balance and partially fund purchase of automation equipment

Please see Footnote 5 – Notes Payable to the Company's consolidated financial statements for more information.

4) Financial Statements

- a) The following financial statements were prepared in accordance with U.S. GAAP.
- b) The financial statements for this reporting period were prepared by Daniel Seliga, Chief Financial Officer of the Company.

See PART II –CONSOLIDATED FINANCIAL STATEMENTS below.

5) Issuer's Business, Products and Service

- A) Description of the Issuer's business operations:

HealthWarehouse.com, Inc. is an online pharmacy, licensed and/or authorized to sell and deliver prescriptions in 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 OTC products over the Internet.

HealthWarehouse.com is currently 1 of 74 Verified Internet Pharmacy Practice Websites (“VIPPS”) accredited by the National Association of Boards of Pharmacy (“NABP”).

- B) The wholly-owned subsidiaries of HealthWarehouse.com, Inc. are Hwareh.com, Inc., Hocks.com, Inc., ION Holding NV, ION Belgium NV. The Company conducts operations through the Hwareh.com, Inc. subsidiary. Hwareh.com, Inc. has the same contact information as the Company. Hocks.com, Inc., ION Holding NV and ION Belgium NV are inactive subsidiaries.
- C) Principal products and services: The Company sells directly to individual consumers who purchase prescription medications and OTC products over the Internet. The Company offers over 6,200 prescription medications and over 6,000 OTC products.

6) Issuer’s Facilities

HealthWarehouse.com, Inc.’s corporate headquarters is located at 7107 Industrial Road, Florence, Kentucky, 41042 which also houses its inventory and pharmacy and customer service operations. The Company occupies 28,494 square feet of office, storage, and warehouse space under a lease with a monthly rental and the lease expires December 31, 2024.

7) Officers, Directors, and Control Persons

Name	Title
Joseph B. Peters	President and Chief Executive Officer, and Director
Daniel J. Seliga	Chief Financial Officer
Mark D. Scott	Director
Dr. Stephen J. Weiss	Director
Joseph Heimbrock	Director
Jack Britts	Director

The following table sets forth information about all directors, executive officers and individuals and entities that are the beneficial owners of more than five percent (5%) of HEWA’s Common Stock as of March 31, 2019. 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.

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Name	Affiliation	Address	Number of shares owned	Share Class	Ownership Percentage of Class Outstanding	Beneficial Ownership
MVI Partners and Joe Heimbrock, Director	Director	3299 Hughes Court, Taylor Mill, KY 41015	494,913; 1,428,835	Series B Common	96% ; 2.9%	13.3% *
Dr. Bruce Bedrick	>5%	5375 Monterey Circle #32, Delray Beach, FL 33484	3,990,000	Common	8.0%	11.5%
Cormag Holdings, LTD and Mark D. Scott, Director	Director	104 Falcon Ridge Drive, Winnipeg, Manitoba, Canada R3Y1X6	5,509,854	Common	11.1%	11.1%
Dellave Holdings, LLC, Melrose Capital Advisors LLC and Tim Reilly	>5%	1085 Gulf of Mexico Drive, Longboat Key, FL 34228	4,367,457	Common	8.8%	8.8%
Lalit Dhadphale	>5%	182 Uccello Drive, Las Vegas, NV 89138	3,022,479	Common	6.1%	6.1%
Osgar Holdings and Hong Penner	>5%	400 St. Mary Avenue, 9th Floor, Winnipeg, Manitoba, Canada R3C4K5	1,979,167	Common	4.0%	5.6%
SCW Holdings LLP and Dr. Stephen J. Weiss	Director	10405 East McDowell Mountain Ranch Road, Scottsdale, Arizona 85255	1,073,993	Common	2.2%	2.8%
Jack Britts	Director	2021 Saint Andrews Road, Greensboro, NC 27408	172,385	Common	0.3%	0.3%
Joseph B. Peters	President and Chief Executive Officer, and Director	9085 Braxton Drive, Union, KY 41091	283,463	Common	0.6%	1.3%
Daniel J. Seliga	Chief Financial Officer and Principal Financial Officer	3524 Paxton Avenue, Cincinnati, OH 45208	1,041,354	Common	2.1%	2.1%

* Each Preferred B share is convertible into 11.97 common shares as of March 31, 2019.

8) Legal/Disciplinary History

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

Dr. Bruce Bedrick, a beneficial owner of 10% or more of the common stock, was subject to a Final Judgment with the United States District Court, Central District of California, related to a Complaint filed by the Securities and Exchange Commission on March 9, 2017. The Final Judgement was filed by the Securities and Exchange Commission on December 22, 2017.

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

None

9) Third Party Providers

Legal Counsel

General Counsel

Name: Mark Kobasuk
Address 1: 7393 Pinehurst Drive
Address 2: Cincinnati, OH 45244
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@sfttllaw.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: Marcum LLP
Address 1: 750 Third Avenue, 11th Floor
Address 2: New York, NY 10017
Phone: (212) 485-5500
Email: info@marcumllp.com

On October 17, 2018, at the 2018 Annual Meeting of Stockholders, the stockholders ratified the selection of Marcum LLP to serve as the Company's independent registered public accounting firm for the year ended December 31, 2018.

10) Issuer Certification

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joseph Peters, certify that:

1. I have reviewed this quarterly disclosure statement of HealthWarehouse.com, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 13, 2019 /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 quarterly disclosure statement of HealthWarehouse.com, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 13, 2019 /s/ Daniel J. Seliga

Daniel J. Seliga
Chief Financial Officer

PART II – UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2019	December 31, 2018
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 2,934	\$ 2,934
Restricted cash	488,840	425,513
Accounts receivable	225,291	127,861
Inventories - finished goods	224,989	209,607
Prepaid expenses and other current assets	75,894	104,041
Total current assets	1,017,948	869,956
Property and equipment, net	1,133,236	1,174,814
Total assets	\$ 2,151,184	\$ 2,044,770
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 869,767	\$ 853,693
Accrued expenses and other current liabilities	1,370,589	1,427,727
Current portion of capital lease payable	5,736	5,736
Notes payable, net of debt discount of \$0 as of March 31, 2019 and \$12,262 as of December 31, 2018	2,489,678	2,477,416
Redeemable preferred stock - Series C; par value \$0.001 per share; 10,000 designated Series C; 10,000 issued and outstanding as of March 31, 2019 and December 31, 2018 (aggregate liquidation preference of \$1,000,000)	1,000,000	1,000,000
Total current liabilities	5,735,770	5,764,572
Long term liabilities:		
Capital lease payable - non-current	5,095	6,557
Total long term liabilities	5,095	6,557
Total liabilities	5,740,865	5,771,129
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock – par value \$0.001 per share; authorized 1,000,000 shares; issued and outstanding as of March 31, 2019 and December 31, 2018 as follows:		
Convertible preferred stock - Series A – 200,000 shares designated Series A; 44,443 shares available to be issued; no shares issued and outstanding	-	-
Convertible preferred stock - Series B – 625,000 shares designated Series B; 517,359 shares issued and outstanding as of March 31, 2019 and December 31, 2018 (aggregate liquidation preference of \$6,001,300 and \$5,915,742 as of March 31, 2019 and December 31, 2018, respectively)	517	517
Common stock – par value \$0.001 per share; authorized 100,000,000 shares; 50,897,849 and 50,197,760 shares issued and 49,718,637 and 49,018,548 shares outstanding as of March 31, 2019 and December 31, 2018, respectively	50,897	50,197
Additional paid-in capital	33,921,444	33,682,223
Treasury stock, at cost, 1,179,212 shares as of March 31, 2019 and December 31, 2018	(3,419,715)	(3,419,715)
Accumulated deficit	(34,142,824)	(34,039,581)
Total stockholders' deficiency	(3,589,681)	(3,726,359)
Total liabilities and stockholders' deficiency	\$ 2,151,184	\$ 2,044,770

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

	For the Three Months Ended	
	March 31	
	2019	2018
Net sales	\$ 3,889,423	\$ 3,584,611
Cost of sales	<u>1,294,506</u>	<u>1,222,643</u>
Gross profit	2,594,917	2,361,968
Operating expenses:		
Selling, general and administrative expenses	<u>2,539,348</u>	<u>2,644,403</u>
Income (loss) from operations	55,569	(282,435)
Interest expense	<u>(73,254)</u>	<u>(58,316)</u>
Net loss	(17,685)	(340,751)
Preferred stock:		
Series B convertible preferred stock contractual dividends	<u>(85,558)</u>	<u>(85,558)</u>
Net loss attributable to common stockholders	<u>\$ (103,243)</u>	<u>\$ (426,309)</u>
Per share data:		
Net loss – basic and diluted	\$ (0.00)	(0.01)
Series B convertible preferred stock contractual dividends	<u>(0.00)</u>	<u>(0.00)</u>
Net loss attributable to common stockholders - basic & diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted	49,390,251	48,225,985

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	Series B Convertible		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Deficiency
	Preferred Stock					Shares			
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balances, January 1, 2018	517,359	\$ 517	48,850,209	\$ 48,850	\$ 33,151,341	1,179,212	\$ (3,419,715)	\$ (32,880,294)	\$ (3,099,301)
Stock-based compensation	-	-	173,256	173	125,851	-	-	-	126,024
Contractual dividends on Series B convertible preferred stock	-	-				-	-	(85,558)	(85,558)
Exercise of warrants into common stock	-	-	811,719	812	(812)	-	-	-	(0)
Net income (loss)	-	-	-	-	-	-	-	(340,751)	(340,751)
Balances, March 31, 2018	517,359	\$ 517	49,835,184	\$ 49,835	\$ 33,276,380	1,179,212	\$ (3,419,715)	\$ (33,306,603)	\$ (3,399,586)
Balances, January 1, 2019	517,359	\$ 517	50,197,760	\$ 50,197	\$ 33,682,223	1,179,212	\$ (3,419,715)	\$ (34,039,581)	\$ (3,726,359)
Stock-based compensation	-	-	700,089	700	239,221	-	-	-	239,921
Contractual dividends on Series B convertible preferred stock	-	-				-	-	(85,558)	(85,558)
Net loss	-	-	-	-	-	-	-	(17,685)	(17,685)
Balances, March 31, 2019	517,359	\$ 517	50,897,849	\$ 50,897	\$ 33,921,444	1,179,212	\$ (3,419,715)	\$ (34,142,824)	\$ (3,589,681)

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

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

	For the Three Months Ended March 31	
	2019	2018
Cash flows from operating activities		
Net loss	\$ (17,685)	\$ (340,751)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	42,737	16,330
Stock-based compensation	114,922	96,024
Loss on disposition of equipment	-	7,807
Amortization of debt discount	12,262	12,262
Changes in operating assets and liabilities:		
Accounts receivable	(97,430)	(17,202)
Inventories	(15,382)	24,703
Prepaid expenses and other current assets	28,147	28,888
Accounts payable	16,074	3,720
Accrued expenses and other current liabilities	(17,696)	(85,962)
Net cash provided by (used in) operating activities	65,949	(254,181)
Cash flows from investing activities		
Capital expenditures	(1,159)	(8,705)
Progress payments deposited with equipment manufacturer	-	(274,678)
Net cash used in investing activities	(1,159)	(283,383)
Cash flows from financing activities		
Repayment of capital lease	(1,463)	(1,468)
Proceeds from issuance of notes payable	-	275,000
Repayment of notes payable and other advances – related parties	-	(9,700)
Net cash provided by (used in) financing activities	(1,463)	263,832
Net increase (decrease) in cash	63,327	(273,732)
Cash and restricted cash - beginning of period	428,447	382,057
Cash and restricted cash - end of period	\$ 491,774	\$ 108,325
Cash paid for:		
Interest	\$ 60,991	\$ 58,316
Non-cash investing and financing activities:		
Cashless exercise of warrants into common stock	\$ -	\$ 812
Acquisition of capital equipment under capital lease	\$ -	\$ 18,030
Accrual of contractual dividends on Series B convertible preferred stock	\$ 85,558	\$ 85,558
Common stock issued to satisfy accrued directors' fees	\$ 53,000	\$ 53,000
Common stock issued to satisfy accrued non-cash executive bonus	\$ 125,000	\$ 30,000

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

HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 Verified Internet Pharmacy Practice Site ("VIPPS") accredited by the National Association of Boards of Pharmacy ("NABP"). The Company markets a complete range of generic, brand name, and pet prescription medications as well as over-the-counter ("OTC") medications and products.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all the information and disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2019 and 2018. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results for the full year ending December 31, 2019 or any other period. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures of the Company as of December 31, 2018 and for the year then ended, included in the Annual Report filed with OTC Markets on March 21, 2019.

2. Going Concern and Management's Liquidity Plans

Since inception, the Company has financed its operations primarily through debt and equity financings and advances from related parties. Increased borrowings from the Company's lenders during 2017 and 2018 have not been sufficient to satisfy the Company's current obligations. As of March 31, 2019, the Company had a working capital deficiency of \$4,717,822 and an accumulated deficit of \$34,142,824. The Company generated a net loss of \$17,685 during the three months ended March 31, 2019 and has historically incurred significant net losses, including a net loss of \$817,054 for the year ended December 31, 2018. Although the Company generated cash from operating activities of \$65,949 and \$138,955 during the three months ended March 31, 2019 and twelve months ended December 31, 2018, respectively, those amounts were not sufficient to meet its current obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements issued.

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

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

Accordingly, the accompanying consolidated financial statements have been prepared in conformity with 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.

3. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Reclassifications

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

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.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "*Revenue from Contracts with Customers*", which provides guidance for revenue recognition. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 which delayed the effective date of the new revenue guidance by one year. As a result, the provisions of ASU 2014-09, and subsequent amendments, are effective for the Company for annual reporting periods beginning after December 15, 2018. The Company does not expect that the impact of adoption of this update will be significant on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2019. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Company is in the process of evaluating the impact of adoption of this update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "*Compensation - Stock Compensation*" (Topic 718): *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies several aspects of the accounting for share-based

payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company beginning January 1, 2018. The Company does not expect that the impact of adoption of this update will be significant on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash.*” ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending balances shown on the statement of cash flows. The guidance is effective for the Company in the first quarter of 2019 and early adoption is permitted. ASU 2016-18 must be applied retrospectively to all periods presented. The Company adopted ASU 2016-18 in the presentation of its statement of cash flows for the year ended December 31, 2018 and retrospectively to the year ended December 31, 2017.

In June 2018, the FASB issued ASU 2018-07, Stock Compensation (Topic 718); Improvements to Non-employer Share-Based Payment Accounting. The amendment aligns the accounting for share based payments issued to employees and non-employees. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2018, including interim periods within those periods. The Company is currently reviewing the impact of the adoption of ASU 2018-07 on its consolidated financial statements. The Company does not expect that the impact of adoption of this update will be significant on its consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, “Codification Improvements” (“ASU 2018-09”). These amendments provide clarifications and corrections to certain ASC subtopics including the following: Income Statement - Reporting Comprehensive Income – Overall (Topic 220-10), Debt - Modifications and Extinguishments (Topic 470-50), Distinguishing Liabilities from Equity – Overall (Topic 480-10), Compensation - Stock Compensation - Income Taxes (Topic 718-740), Business Combinations - Income Taxes (Topic 805-740), Derivatives and Hedging – Overall (Topic 815- 10), and Fair Value Measurement – Overall (Topic 820-10). The majority of the amendments in ASU 2018-09 will be effective in annual periods beginning after December 15, 2018. The Company does not expect that the impact of adoption of this update will be significant on its consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases” (“ASU 2018-10”). The amendments in ASU 2018-10 provide additional clarification and implementation guidance on certain aspects of the previously issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) and have the same effective and transition requirements as ASU 2016-02. Upon the effective date, ASU 2018-10 will supersede the current lease guidance in ASC Topic 840, Leases. Under the new guidance, lessees will be required to recognize for all leases, with the exception of short-term leases, a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis. Concurrently, lessees will be required to recognize a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASU 2018-10 is effective for emerging growth companies for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The guidance is required to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative periods presented in the financial statements. The Company does not expect that the impact of adoption of this update will be significant on its consolidated financial statements.

In July 2018, the FASB issued Accounting Standards Update No. 2018-11, “Leases (Topic 842): Targeted Improvements,” (“ASU 2018-11”). The amendments in ASU 2018-11 related to transition relief on comparative reporting at adoption affect all entities with lease contracts that choose the additional transition method and separating components of a contract affect only lessors whose lease contracts qualify for the practical expedient. The amendments in ASC Topic 842 are effective for emerging growth companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently assessing the impact this guidance will have on its consolidated financial statements.

There were no other recent accounting standard updates that the Company has not yet adopted that we believe would have a material impact on our consolidated financial statements.

Net Earnings (Loss) Per Share of Common Stock

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

	<u>2019</u>	<u>2018</u>
Options	3,000,345	2,217,845
Warrants	4,866,151	5,016,151
Series B Convertible Preferred Stock	<u>6,192,788</u>	<u>6,192,788</u>
Total potentially dilutive shares	<u>14,059,284</u>	<u>13,426,784</u>

4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Salaries and Benefits	\$ 32,324	\$ 240,264
Dividends Payable	1,112,257	1,026,699
Accrued Interest	28,436	28,436
Deferred Rent	8,161	6,169
Accrued Director Fees	53,000	53,000
Deferred Revenue	1,954	4,399
Other	134,457	68,760
	<u>\$ 1,370,589</u>	<u>\$ 1,427,727</u>

5. Notes Payable

Notes payable consisted of the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Melrose Promissory Note	\$ 500,000	\$ 500,000
Kapok Promissory Note	1,989,678	1,989,678
Less debt discount	-	(12,262)
Total debt	<u>\$ 2,489,678</u>	<u>\$ 2,477,416</u>
Less current portion	<u>(2,489,678)</u>	<u>(2,477,416)</u>
Long-term debt, less current portion	<u>\$ -</u>	<u>\$ -</u>

Kapok Promissory Note

The Company is a party to a promissory note (the "Kapok Promissory Note") and a security agreement (the "Kapok Security Agreement") with Kapok Ventures Limited. Under the terms of the Kapok Promissory Note, the Company may borrow up to an aggregate of \$2,000,000 from Kapok. The Kapok Promissory Note bears interest on the unpaid principal balance until the full amount of principal has been paid at a variable rate equal to the prime rate plus four and one-quarter percent (4.25%)

per annum (9.75% at March 31, 2019). Under the terms of the Kapok Promissory Note, the Company has agreed to make monthly payments of accrued interest on the first day of every month, through the September 30, 2019 maturity date. As of March 31, 2019, the outstanding balance on the Kapok Promissory Note was \$1,989,678 and accrued interest was \$16,705.

Melrose Promissory Note

The Company is a party to a promissory note (the "Melrose Promissory Note") and a security agreement (the "Melrose Security Agreement") with Melrose Capital Advisors, LLC. Under the terms of the Melrose Promissory Note, the Company borrowed an aggregate of \$500,000 from Melrose (the "Melrose Loan"). The Melrose Promissory Note bears interest on the unpaid principal balance until the full amount of principal has been paid at a fixed rate equal to 10% per annum. Under the terms of the Melrose Promissory Note, the Company has agreed to make monthly payments of accrued interest on the first day of every month. The principal amount and all unpaid accrued interest on the Melrose Promissory Note is payable on September 30, 2019. As of March 31, 2019, the outstanding balance on the Melrose Promissory Note was \$500,000 and accrued interest was \$4,247.

6. Stockholders' Deficiency

Common Stock

On January 8, 2019, the Company issued an aggregate of 213,708 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 2018. The shares had an aggregate grant date value of \$53,000 or \$0.25 per share, which was the 30-day weighted average share price on the grant date. Such amount is included in accrued expenses as other liabilities as of December 31, 2018.

On February 11, 2019, the Company issued 486,381 shares of common stock to executives of the Company for payment of the noncash portion of their 2018 bonus per the terms of his employment agreement. The shares had a grant date value of \$125,000 or \$0.26 per share, which was the 30-day weighted average share price on the grant date. Such amount was included in accrued expenses and other current liabilities as of December 31, 2018.

Stock-based compensation expense related to common stock issued was recorded in the condensed consolidated statements of operations as a component of selling, general and administrative expenses and totaled \$53,000 for the three months ended March 31, 2019 and 2018.

Preferred Stock

As of March 31, 2019 and December 31, 2018, the Company had accrued contractual dividends of \$1,112,257 and \$1,026,699, respectively, related to the Series B Preferred Stock.

Stock Options

Valuation

In applying the Black-Scholes option pricing model to stock options granted during the three months ended March 31, 2019 and 2018, the Company used the following weighted average assumptions:

	Three Months Ended	
	March 31,	
	2019	2018
Risk free interest rate	2.45%	2.49%
Dividend yield	0.00%	0.00%
Expected volatility	183.0%	191%
Expected life in years	6.0	6.0

Grants

The weighted average fair value of the stock options granted during the three months ended March 31, 2019 was \$0.33.

During the three months ended March 31, 2019, the Company granted options to an employee and two executives of the Company to purchase an aggregate of 1,200,000 shares of common stock under a previously approved plan at exercise price of \$0.32 per share for an aggregate grant date value of \$415,423. The options vest over a three-year period and have a term of ten years. The options issued to the executives were replacements for the options issued to the same executives in January 2018.

Stock-based compensation expense related to stock options was recorded in the condensed consolidated statements of operations as a component of selling, general and administrative expenses and totaled \$61,922 and \$43,024 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, stock-based compensation expense related to stock options of \$1,712,662 remains unamortized which is being amortized over the weighted average remaining period of 2.8 years.

Summary

A summary of the stock option activity during the three months ended March 31, 2019 is presented below:

	<u>Number of Options</u>	<u>Average Exercise Price</u>	<u>Remaining Life In Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, January 1, 2019	2,954,845	\$ 0.47		
Granted	1,250,000	0.32		
Exercised	-	-		
Forfeited	<u>(1,204,500)</u>	<u>0.43</u>		
Outstanding, March 31, 2019	<u>3,000,345</u>	<u>\$ 0.42</u>	<u>8.4</u>	<u>\$ 299,496</u>
Exercisable, March 31, 2019	<u>1,000,345</u>	<u>\$ 0.60</u>	<u>5.5</u>	<u>\$ 189,496</u>

The following table presents information related to stock options at March 31, 2019:

<u>Range of Exercise Price</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>		
	<u>Weighted Average Exercise Price</u>	<u>Outstanding Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Exercisable Number of Options</u>
\$0.09 - \$0.12	\$ 0.10	591,667	\$ 0.10	6.2	591,667
\$0.22 - \$0.36	0.33	2,163,228	0.27	8.0	163,228
\$0.53 - \$1.60	0.87	188,450	0.87	2.0	188,450
\$4.10 - \$6.99	5.80	<u>57,000</u>	5.80	2.8	<u>57,000</u>
\$0.09 - \$6.99	\$ 0.42	<u>3,000,345</u>	\$ 0.60	5.5	<u>1,000,345</u>

Warrants

There was no stock-based compensation expense related to warrants recorded in the three months ended March 31, 2019 and 2018. As of March 31, 2019, there was no unamortized stock-based compensation expense related to warrants.

A summary of the stock warrant activity during the three months ended March 31, 2019 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Term In Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, January 1, 2019	4,866,151	\$ 0.33		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Outstanding, March 31, 2019	<u>4,866,151</u>	<u>\$ 0.33</u>	<u>0.7</u>	<u>\$ 432,916</u>
Exercisable, March 31, 2019	<u>4,866,151</u>	<u>\$ 0.33</u>	<u>0.7</u>	<u>\$ 432,916</u>

The following table presents information related to stock warrants at March 31, 2019:

<u>Range of Exercise Price</u>	<u>Warrants Outstanding</u>		<u>Warrants Exercisable</u>		
	<u>Weighted Average Exercise Price</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Term In Years</u>	<u>Exercisable Number of Warrants</u>
\$0.15 - \$0.25	\$ 0.23	326,120	\$ 0.23	1.0	326,120
\$0.30 - \$0.50	0.31	4,510,031	0.31	0.7	4,510,031
\$4.95	4.95	<u>30,000</u>	4.95	3.5	<u>30,000</u>
\$0.15 - \$4.95	\$ 0.33	<u>4,866,151</u>	\$ 0.33	0.7	<u>4,866,151</u>

7. Commitments and Contingent Liabilities

Capital Lease

The Company is a party to a three-year lease agreement related to a forklift. The terms of the lease agreement require monthly payments of \$542 with the option to purchase the forklift on the lease termination date for \$1. The transaction was recognized as a fixed asset acquisition and capital lease obligation of \$18,030.

Operating Leases

The Company is a party to a lease agreement for office and storage space with an entity. On July 30, 2018, the Company entered into an amendment of the lease agreement which extended the lease for an additional five years. The amended monthly lease rate will range between \$7,955 and \$9,498. The lease expires on December 31, 2024. The Company accounts for rent expense using the straight-line method of accounting, deferring the difference between actual rent due and the straight-line amount. Deferred rent payable of \$8,161 as of March 31, 2019 and \$6,169 as of December 31, 2018, has been included in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

The aggregate future minimum lease payments for operating leases, excluding renewal periods, and capital leases as of March 31, 2019 were as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>
2019	73,023	4,881
2020	99,793	6,508
2021	102,787	-
2022	105,871	-
Thereafter	221,365	-
Total	<u>\$ 602,839</u>	<u>\$ 11,389</u>
Less: Amount representing interest		(559)
Present value of minimum lease payments		<u>\$ 10,830</u>

During the three months ended March 31, 2019 and 2018, the Company recorded aggregate rent expense of \$36,459 and \$26,449, respectively.

Litigation

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

On April 9, 2018, the Company and its President and Chief Executive Officer were named in a legal complaint filed in the United States District Court by a former employee alleging, among other items, violation of the Fair Labor Standards Act, breach of contract and unjust enrichment related to nonpayment of commissions and overtime compensation and requesting a judgment in excess of \$500,000. The suit is in the early stages and, as such, any potential liability cannot be determined at this time. The Company's most recent answer to the complaint asserted numerous counterclaims against the former employee for damages and injunctive relief. Management believes that the Plaintiff's claims are groundless and the Company intends to contest this matter vigorously.

On March 6, 2019, the Company was named in a class action complaint filed against the Company in the United States District Court by Kevin Garey alleging, among other items, violation of the Americans with Disabilities Act, claiming the Company's website is not fully accessible and independently usable to a visually impaired and legally blind individual. The Company has answered the complaint, denied all material allegations therein, and asserted several affirmative defenses, which we believe are dispositive of the claims asserted. The suit is in the early stages and, as such, any potential liability cannot be determined at this time.

8. 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.

Three vendors represented 30%, 24% and 23% during the three months ended March 31, 2019 and 30%, 29% and 19% during the three months ended March 31, 2018. As of March 31, 2019, one vendor represented 24% of accounts payable.

9. Subsequent Events

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

Issuance of Common Stock to Directors

On April 2, 2019, the Company issued an aggregate of 155,424 shares of common stock to directors of the Company for payment of their accrued noncash portion of their director's fees for the first quarter of 2019. The shares had a grant date value of \$53,000 or \$0.34 per share, which was the 30-day weighted average share price on the grant date. Such amount is included in accrued expenses and other current liabilities as of March 31, 2019.