

HealthWarehouse.com, Inc.
Form 10-Q
August 15, 2011

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, 2011

☐ 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, KY
(Address of Principal Executive Offices)

41042
(Zip Code)

(513) 618-0911
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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.

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 ☒

As of August 8, 2011, there were 11,082,926 shares of common stock outstanding.

HEALTHWAREHOUSE.COM, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	1
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	19
ITEM 4. Controls and Procedures	19
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	21
ITEM 1A. Risk Factors	21
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	21
ITEM 3. Defaults upon Senior Securities	21
ITEM 4. (Removed and Reserved)	21
ITEM 5. Other Information	21
ITEM 6. Exhibits	22
SIGNATURES	23

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets		
Cash	\$ 111,887	\$ 1,397,583
Accounts receivable, net of allowance for doubtful accounts of \$150,000 and \$120,000, respectively	713,678	604,524
Inventories – finished goods	678,846	374,519
Employee advances	57,571	51,429
Prepaid expenses and other current assets	148,240	126,708
Total current assets	\$ 1,710,222	\$ 2,554,763
Property and equipment, net	358,445	320,328
Website development costs, net of accumulated amortization of \$189,575 and \$139,475, respectively	10,821	60,921
Intangible assets, net of accumulated amortization of \$41,270 and \$0, respectively	652,065	-
Total assets	\$ 2,731,553	\$ 2,936,012
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable – related parties	\$ 563,308	\$ 232,858
Accounts payable – trade	1,262,583	807,481
Accrued expenses and other current liabilities	221,549	240,098
Convertible notes, net of deferred debt discount of \$0 and \$9,658, respectively	-	215,342
Total current liabilities	\$ 2,047,440	\$ 1,495,779
Convertible notes payable, net of deferred debt discount of \$440,621 and \$600,354, respectively	559,379	399,646
Total liabilities	\$ 2,606,819	\$ 1,895,425
Commitments and contingencies		
Stockholders' equity		
Convertible preferred stock - Series A – par value \$.001 per share; authorized 1,000,000 shares; 200,000 shares designated Series A; no shares issued and outstanding (aggregate liquidation preference \$0)	-	-
	369	365

Convertible preferred stock - Series B – par value \$.001 per share; authorized 1,000,000 shares; 625,000 shares designated Series B; 368,862 and 365,265 shares issued, and outstanding respectively (aggregate liquidation preference \$3,485,746 and \$3,451,754, respectively)

Common stock – par value \$.001 per share; authorized 50,000,000 shares; 10,604,354 and 10,278,934 shares issued and outstanding	10,605	10,279
Additional paid-in capital	10,917,226	9,540,036
Accumulated deficit	(10,803,466)	(8,510,093)
Total stockholders' equity	124,734	1,040,587
Total liabilities and stockholders' equity	\$ 2,731,553	\$ 2,936,012

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

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

	For the Three Months Ended June 30, 2011	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Net sales	\$ 2,519,721	\$ 1,766,662	\$ 4,804,273	\$ 3,002,176
Cost of sales	1,404,192	1,282,831	2,702,335	1,890,246
Gross profit	1,115,529	483,831	2,101,938	1,111,930
Operating expenses:				
Selling, general and administrative expenses	2,116,736	1,054,667	4,070,434	1,935,450