

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2023**

**Or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 001-36469**

**HEALTHIER CHOICES MANAGEMENT CORP.**  
(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**84-1070932**

(I.R.S. Employer  
Identification No.)

**3800 North 28Th Way  
Hollywood, Florida**

(Address of principal executive offices)

**33020**

(Zip Code)

**Registrant's telephone number, including area code: 305-600-5004**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Smaller reporting company ☒  
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

☐ Yes ☒ No

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                        | Trading Symbol | Name of each exchange on which registered |
|--------------------------------------------|----------------|-------------------------------------------|
| Common Stock, par value \$0.0001 per share | HCMC           | OTC Pink Marketplace                      |

As of November 10, 2023, there were 475,266,632,384 shares of the registrant’s common stock, par value \$0.0001 per share, outstanding.

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# PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

### HEALTHIER CHOICES MANAGEMENT CORP. CONDENSED CONSOLIDATED BALANCE SHEETS

|                                                                                                                                                                                                                                                                                                                                                               | (Unaudited)<br>September 30, 2023 | December 31, 2022    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                                                                                                                                                                                                 |                                   |                      |
| <b>CURRENT ASSETS</b>                                                                                                                                                                                                                                                                                                                                         |                                   |                      |
| Cash                                                                                                                                                                                                                                                                                                                                                          | \$ 7,137,833                      | \$ 22,911,892        |
| Accounts receivable, net                                                                                                                                                                                                                                                                                                                                      | 130,907                           | 55,815               |
| Notes receivable                                                                                                                                                                                                                                                                                                                                              | -                                 | 189,225              |
| Inventories                                                                                                                                                                                                                                                                                                                                                   | 3,553,942                         | 3,817,192            |
| Prepaid expenses and vendor deposits                                                                                                                                                                                                                                                                                                                          | 1,746,452                         | 322,182              |
| Investment                                                                                                                                                                                                                                                                                                                                                    | 1,714                             | 9,771                |
| Other current assets                                                                                                                                                                                                                                                                                                                                          | 398,910                           | 1,224,171            |
| Restricted cash                                                                                                                                                                                                                                                                                                                                               | 628,232                           | 1,778,232            |
| <b>TOTAL CURRENT ASSETS</b>                                                                                                                                                                                                                                                                                                                                   | <b>13,597,990</b>                 | <b>30,308,480</b>    |
| Property, plant, and equipment, net of accumulated depreciation                                                                                                                                                                                                                                                                                               | 2,865,409                         | 3,112,908            |
| Intangible assets, net of accumulated amortization                                                                                                                                                                                                                                                                                                            | 4,313,743                         | 5,005,511            |
| Goodwill                                                                                                                                                                                                                                                                                                                                                      | 5,747,000                         | 5,747,000            |
| Right of use asset – operating lease, net                                                                                                                                                                                                                                                                                                                     | 10,063,353                        | 10,604,935           |
| Other assets                                                                                                                                                                                                                                                                                                                                                  | 510,856                           | 476,196              |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                                                                                                                           | <b>\$ 37,098,351</b>              | <b>\$ 55,255,030</b> |
| <b>LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                      |                                   |                      |
| <b>CURRENT LIABILITIES</b>                                                                                                                                                                                                                                                                                                                                    |                                   |                      |
| Accounts payable and accrued expenses                                                                                                                                                                                                                                                                                                                         | \$ 5,804,051                      | \$ 5,715,234         |
| Contingent consideration                                                                                                                                                                                                                                                                                                                                      | -                                 | 774,900              |
| Contract liabilities                                                                                                                                                                                                                                                                                                                                          | 144,861                           | 198,606              |
| Line of credit                                                                                                                                                                                                                                                                                                                                                | 453,232                           | 453,232              |
| Current portion of loan payment                                                                                                                                                                                                                                                                                                                               | 560,322                           | 536,542              |
| Operating lease liability, current                                                                                                                                                                                                                                                                                                                            | 2,323,981                         | 2,228,852            |
| <b>TOTAL CURRENT LIABILITIES</b>                                                                                                                                                                                                                                                                                                                              | <b>9,286,447</b>                  | <b>9,907,366</b>     |
| Loan payable, net of current portion                                                                                                                                                                                                                                                                                                                          | 1,954,691                         | 2,378,061            |
| Operating lease liability, net of current                                                                                                                                                                                                                                                                                                                     | 7,499,587                         | 8,041,504            |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                                                                                                                                                                                                      | <b>18,740,725</b>                 | <b>20,326,931</b>    |
| <b>COMMITMENTS AND CONTINGENCIES (SEE NOTE 13)</b>                                                                                                                                                                                                                                                                                                            |                                   |                      |
| <b>CONVERTIBLE PREFERRED STOCK</b>                                                                                                                                                                                                                                                                                                                            |                                   |                      |
| Series E redeemable convertible preferred stock, \$1,000 par value per share, 14,722 shares authorized, 1,944 shares and 14,722 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively; aggregate liquidation preference of \$1.9 million and \$14.7 million as of September 30, 2023 and December 31, 2022, respectively | 1,944,425                         | 14,722,075           |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                                   |                                   |                      |
| Series D convertible preferred stock, \$1,000 par value per share, 5,000 shares authorized; 0 and 800 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively                                                                                                                                                              | -                                 | 800,000              |
| Common Stock, \$0.0001 par value per share, 750,000,000,000 shares authorized; 475,266,632,384 and 339,741,632,384 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively                                                                                                                                                 | 47,526,663                        | 33,974,163           |
| Additional paid-in capital                                                                                                                                                                                                                                                                                                                                    | 20,051,524                        | 29,045,802           |
| Accumulated deficit                                                                                                                                                                                                                                                                                                                                           | (51,164,986)                      | (43,613,941)         |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                             | <b>16,413,201</b>                 | <b>20,206,024</b>    |

|                                                                         |               |               |
|-------------------------------------------------------------------------|---------------|---------------|
| TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY | \$ 37,098,351 | \$ 55,255,030 |
|-------------------------------------------------------------------------|---------------|---------------|

See notes to unaudited condensed consolidated financial statements

**HEALTHIER CHOICES MANAGEMENT CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|                                                                                       | Three Months Ended<br>September 30, |                        | Nine Months Ended<br>September 30, |                        |
|---------------------------------------------------------------------------------------|-------------------------------------|------------------------|------------------------------------|------------------------|
|                                                                                       | <u>2023</u>                         | <u>2022</u>            | <u>2023</u>                        | <u>2022</u>            |
| <b>SALES</b>                                                                          |                                     |                        |                                    |                        |
| Vapor sales, net                                                                      | \$ -                                | \$ 1,187               | \$ 38                              | \$ 256,747             |
| Grocery sales, net                                                                    | <u>12,704,600</u>                   | <u>5,775,543</u>       | <u>39,839,203</u>                  | <u>16,700,596</u>      |
| <b>TOTAL SALES, NET</b>                                                               | <u>12,704,600</u>                   | <u>5,776,730</u>       | <u>39,839,241</u>                  | <u>16,957,343</u>      |
| Cost of sales vapor                                                                   | -                                   | 364                    | 653                                | 112,610                |
| Cost of sales grocery                                                                 | <u>8,061,966</u>                    | <u>3,909,190</u>       | <u>25,199,879</u>                  | <u>10,674,170</u>      |
| <b>GROSS PROFIT</b>                                                                   | <u>4,642,634</u>                    | <u>1,867,176</u>       | <u>14,638,709</u>                  | <u>6,170,563</u>       |
| <b>OPERATING EXPENSES</b>                                                             | <u>8,033,795</u>                    | <u>3,985,377</u>       | <u>23,192,575</u>                  | <u>11,012,070</u>      |
| <b>LOSS FROM OPERATIONS</b>                                                           | <u>(3,391,161)</u>                  | <u>(2,118,201)</u>     | <u>(8,553,866)</u>                 | <u>(4,841,507)</u>     |
| <b>OTHER INCOME (EXPENSE)</b>                                                         |                                     |                        |                                    |                        |
| Gain (loss) on investment                                                             | 343                                 | (11,314)               | (8,057)                            | (6,000)                |
| Change in contingent consideration                                                    | 372,000                             | -                      | 774,900                            | -                      |
| Other (expense) income, net                                                           | (8,397)                             | 4,327                  | 853                                | 27,376                 |
| Interest income, net                                                                  | <u>36,226</u>                       | <u>50,202</u>          | <u>235,125</u>                     | <u>81,715</u>          |
| Total other income (expense), net                                                     | <u>400,172</u>                      | <u>43,215</u>          | <u>1,002,821</u>                   | <u>103,091</u>         |
| <b>NET LOSS</b>                                                                       | <u>\$ (2,990,989)</u>               | <u>\$ (2,074,986)</u>  | <u>\$ (7,551,045)</u>              | <u>\$ (4,738,416)</u>  |
| <b>Induced conversions of preferred stock</b>                                         | <u>-</u>                            | <u>-</u>               | <u>(152,500)</u>                   | <u>-</u>               |
| <b>Net loss attributable to common stockholders</b>                                   | <u>\$ (2,990,989)</u>               | <u>\$ (2,074,986)</u>  | <u>\$ (7,703,545)</u>              | <u>\$ (4,738,416)</u>  |
| <b>NET LOSS PER SHARE-BASIC AND DILUTED</b>                                           | <u>\$ 0.00</u>                      | <u>\$ 0.00</u>         | <u>\$ 0.00</u>                     | <u>\$ 0.00</u>         |
| <b>WEIGHTED AVERAGE NUMBER OF<br/>COMMON SHARES OUTSTANDING-BASIC<br/>AND DILUTED</b> | <u>358,187,284,558</u>              | <u>339,741,632,384</u> | <u>351,298,225,790</u>             | <u>339,741,632,384</u> |

*See notes to unaudited condensed consolidated financial statements*

**HEALTHIER CHOICES MANAGEMENT CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS'**  
**EQUITY**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
**(Unaudited)**

|                                                                                                                              | Series E<br>Redeemable<br>Convertible<br>Preferred Stock |                     | Series D<br>Convertible<br>Preferred Stock |                  | Common Stock           |                     | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total               |
|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------|--------------------------------------------|------------------|------------------------|---------------------|----------------------------------|------------------------|---------------------|
|                                                                                                                              | Shares                                                   | Amount              | Shares                                     | Amount           | Shares                 | Amount              |                                  |                        |                     |
| <b>Balance – July 1, 2023</b>                                                                                                | 1,944                                                    | \$1,944,425         | 800                                        | \$ 800,000       | 463,266,632,384        | \$46,326,663        | \$19,324,774                     | \$ (48,173,997)        | \$18,277,440        |
| Series D Convertible Preferred Stock exercised                                                                               | -                                                        | -                   | (800)                                      | (800,000)        | 8,000,000,000          | 800,000             | -                                | -                      | -                   |
| Issuance of award stock                                                                                                      | -                                                        | -                   | -                                          | -                | 4,000,000,000          | 400,000             | (400,000)                        | -                      | -                   |
| Stock-based compensation expense                                                                                             | -                                                        | -                   | -                                          | -                | -                      | -                   | 1,126,750                        | -                      | 1,126,750           |
| Net loss                                                                                                                     | -                                                        | -                   | -                                          | -                | -                      | -                   | -                                | (2,990,989)            | (2,990,989)         |
| <b>Balance – September 30, 2023</b>                                                                                          | <u>1,944</u>                                             | <u>\$1,944,425</u>  | <u>-</u>                                   | <u>-</u>         | <u>475,266,632,384</u> | <u>\$47,526,663</u> | <u>\$20,051,524</u>              | <u>\$ (51,164,986)</u> | <u>\$16,413,201</u> |
|                                                                                                                              |                                                          |                     |                                            |                  |                        |                     |                                  |                        |                     |
|                                                                                                                              | Series E<br>Redeemable<br>Convertible<br>Preferred Stock |                     | Series D<br>Convertible<br>Preferred Stock |                  | Common Stock           |                     | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total               |
|                                                                                                                              | Shares                                                   | Amount              | Shares                                     | Amount           | Shares                 | Amount              |                                  |                        |                     |
| <b>Balance – July 1, 2022</b>                                                                                                | -                                                        | \$ -                | 800                                        | \$800,000        | 339,741,632,384        | \$33,974,163        | \$30,855,824                     | \$ (39,059,760)        | \$26,570,227        |
| Issuance of Series E Convertible Preferred stock in connection with the Securities Purchase Agreement, net of offering costs | 14,722                                                   | 14,722,075          | -                                          | -                | -                      | -                   | (1,882,244)                      | -                      | (1,882,244)         |
| Net loss                                                                                                                     | -                                                        | -                   | -                                          | -                | -                      | -                   | -                                | (2,074,986)            | (2,074,986)         |
| <b>Balance – September 30, 2022</b>                                                                                          | <u>14,722</u>                                            | <u>\$14,722,075</u> | <u>800</u>                                 | <u>\$800,000</u> | <u>339,741,632,384</u> | <u>\$33,974,163</u> | <u>\$28,973,580</u>              | <u>\$ (41,134,746)</u> | <u>\$22,612,997</u> |

*See notes to unaudited condensed consolidated financial statements*

**HEALTHIER CHOICES MANAGEMENT CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS'**  
**EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
**(UNAUDITED)**

|                                                    | Series E<br>Redeemable<br>Convertible Preferred<br>Stock |                      | Series D<br>Convertible<br>Preferred Stock |                   | Common Stock           |                     | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total               |
|----------------------------------------------------|----------------------------------------------------------|----------------------|--------------------------------------------|-------------------|------------------------|---------------------|----------------------------------|------------------------|---------------------|
|                                                    | Shares                                                   | Amount               | Shares                                     | Amount            | Shares                 | Amount              |                                  |                        |                     |
| <b>Balance – January 1, 2023</b>                   | <b>14,722</b>                                            | <b>\$ 14,722,075</b> | <b>800</b>                                 | <b>\$ 800,000</b> | <b>339,741,632,384</b> | <b>\$33,974,163</b> | <b>\$ 29,045,802</b>             | <b>\$ (43,613,941)</b> | <b>\$20,206,024</b> |
| Series E convertible preferred stock redeemed      | (11,193)                                                 | (11,192,650)         | -                                          | -                 | -                      | -                   | 22,222                           | -                      | 22,222              |
| Conversion of series E convertible preferred stock | (1,585)                                                  | (1,585,000)          | -                                          | -                 | 15,850,000,000         | 1,585,000           | -                                | -                      | 1,585,000           |
| Series D Convertible Preferred Stock exercised     | -                                                        | -                    | (800)                                      | (800,000)         | 8,000,000,000          | 800,000             | -                                | -                      | -                   |
| Issuance of awarded stock                          | -                                                        | -                    | -                                          | -                 | 111,675,000,000        | 11,167,500          | (11,167,500)                     | -                      | -                   |
| Induced conversions of preferred stock             | -                                                        | -                    | -                                          | -                 | -                      | -                   | (152,500)                        | -                      | (152,500)           |
| Stock-based compensation                           | -                                                        | -                    | -                                          | -                 | -                      | -                   | 2,303,500                        | -                      | 2,303,500           |
| Net loss                                           | -                                                        | -                    | -                                          | -                 | -                      | -                   | -                                | (7,551,045)            | (7,551,045)         |
| <b>Balance – September 30, 2023</b>                | <b>1,944</b>                                             | <b>\$ 1,944,425</b>  | <b>-</b>                                   | <b>\$ -</b>       | <b>475,266,632,384</b> | <b>\$47,526,663</b> | <b>\$ 20,051,524</b>             | <b>\$ (51,164,986)</b> | <b>\$16,413,201</b> |

  

|                                                                                                                              | Series E<br>Redeemable<br>Convertible<br>Preferred Stock |                     | Series D<br>Convertible<br>Preferred Stock |                  | Common Stock           |                     | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total               |
|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------|--------------------------------------------|------------------|------------------------|---------------------|----------------------------------|------------------------|---------------------|
|                                                                                                                              | Shares                                                   | Amount              | Shares                                     | Amount           | Shares                 | Amount              |                                  |                        |                     |
| <b>Balance – January 1, 2022</b>                                                                                             | <b>-</b>                                                 | <b>\$ -</b>         | <b>800</b>                                 | <b>\$800,000</b> | <b>339,741,632,384</b> | <b>\$33,974,163</b> | <b>\$30,855,824</b>              | <b>\$ (36,396,330)</b> | <b>\$29,233,657</b> |
| Issuance of Series E Convertible Preferred stock in connection with the Securities Purchase Agreement, net of offering costs | 14,722                                                   | 14,722,075          | -                                          | -                | -                      | -                   | (1,882,244)                      | -                      | (1,882,244)         |
| Net loss                                                                                                                     | -                                                        | -                   | -                                          | -                | -                      | -                   | -                                | (4,738,416)            | (4,738,416)         |
| <b>Balance – September 30, 2022</b>                                                                                          | <b>14,722</b>                                            | <b>\$14,722,075</b> | <b>800</b>                                 | <b>\$800,000</b> | <b>339,741,632,384</b> | <b>\$33,974,163</b> | <b>\$28,973,580</b>              | <b>\$ (41,134,746)</b> | <b>\$22,612,997</b> |

*See notes to unaudited condensed consolidated financial statements*

**HEALTHIER CHOICES MANAGEMENT CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|                                                                                    | Nine Months Ended September 30, |                      |
|------------------------------------------------------------------------------------|---------------------------------|----------------------|
|                                                                                    | 2023                            | 2022                 |
| <b>OPERATING ACTIVITIES</b>                                                        |                                 |                      |
| Net loss                                                                           | \$ (7,551,045)                  | \$ (4,738,416)       |
| <i>Adjustments to reconcile net loss to net cash used in operating activities:</i> |                                 |                      |
| Depreciation and amortization                                                      | 1,115,396                       | 652,162              |
| Loss on notes receivable settlement                                                | 10,931                          | -                    |
| Loss on investment                                                                 | 8,057                           | 6,000                |
| Amortization of right-of-use asset                                                 | 1,689,198                       | 555,726              |
| Write-down of obsolete and slow-moving inventory                                   | 1,581,043                       | 533,343              |
| Stock-based compensation expense                                                   | 2,303,500                       | -                    |
| Change in contingent consideration                                                 | (774,900)                       | -                    |
| <i>Changes in operating assets and liabilities:</i>                                |                                 |                      |
| Accounts receivable                                                                | (75,092)                        | (24,958)             |
| Inventories                                                                        | (1,317,793)                     | (609,468)            |
| Prepaid expenses and vendor deposits                                               | (1,626,358)                     | 160,574              |
| Other current assets                                                               | 825,261                         | -                    |
| Other assets                                                                       | (34,660)                        | (23,128)             |
| Accounts payable and accrued expenses                                              | 555,280                         | 1,560,536            |
| Contract liabilities                                                               | (53,745)                        | (248,522)            |
| Lease liability                                                                    | (1,594,404)                     | (499,980)            |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                       | <b>(4,939,331)</b>              | <b>(2,676,131)</b>   |
| <b>INVESTING ACTIVITIES</b>                                                        |                                 |                      |
| Acquisition of Mother Earth's Storehouse                                           | -                               | (5,150,000)          |
| Collection of note receivable                                                      | 178,294                         | 42,653               |
| Purchases of property and equipment                                                | (176,129)                       | (251,840)            |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                         | <b>2,165</b>                    | <b>(5,359,187)</b>   |
| <b>FINANCING ACTIVITIES</b>                                                        |                                 |                      |
| Proceeds from line of credit                                                       | -                               | 35,196               |
| Principal payments on loan payable                                                 | (399,590)                       | (1,940)              |
| Payment of induced conversions of preferred stock                                  | (152,500)                       | -                    |
| Proceeds from preferred stock, net of issuance costs                               | -                               | 12,839,831           |
| Payments for deferred offering costs                                               | (264,375)                       | -                    |
| Payment for series E preferred stock redemption                                    | (11,170,428)                    | -                    |
| <b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>                         | <b>(11,986,893)</b>             | <b>12,873,087</b>    |
| <b>NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH</b>                         | <b>(16,924,059)</b>             | <b>4,837,769</b>     |
| <b>CASH AND RESTRICTED CASH— BEGINNING OF PERIOD</b>                               | <b>24,690,124</b>               | <b>26,496,404</b>    |
| <b>CASH AND RESTRICTED CASH — END OF PERIOD</b>                                    | <b>\$ 7,766,065</b>             | <b>\$ 31,334,173</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                            |                                 |                      |
| Cash paid for interest                                                             | \$ 127,533                      | \$ 4,383             |
| Cash paid for income tax                                                           | \$ -                            | \$ -                 |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>                                 |                                 |                      |
| Issuance of common stock in connection with series E preferred stock conversion    | \$ 1,585,000                    | \$ -                 |
| Right-of-use assets obtained in exchange for operating lease liabilities           | \$ 1,147,616                    | \$ 1,797,667         |
| 1% stated value reduction on preferred stock redemption                            | \$ 22,222                       | \$ -                 |
| Non-cash deferred offering cost                                                    | \$ 466,463                      | \$ -                 |

*See notes to unaudited condensed consolidated financial statements*

**HEALTHIER CHOICES MANAGEMENT CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. ORGANIZATION**

*Organization*

Healthier Choices Management Corp. (the “Company”) is a holding company focused on providing consumers with healthier daily choices with respect to nutrition and other lifestyle alternatives.

Through its wholly owned subsidiary HCMC Intellectual Property Holdings, LLC, the Company manages and intends to expand on its intellectual property portfolio.

Through its wholly owned subsidiaries, the Company operates:

- Ada’s Natural Market, a natural and organic grocery store offering fresh produce, bulk foods, vitamins and supplements, packaged groceries, meat and seafood, deli, baked goods, dairy products, frozen foods, health & beauty products and natural household items.
- Paradise Health & Nutrition’s three stores that likewise offer fresh produce, bulk foods, vitamins and supplements, packaged groceries, meat and seafood, deli, baked goods, dairy products, frozen foods, health & beauty products and natural household items.
- Mother Earth’s Storehouse, a two-store organic and health food and vitamin chain in New York’s Hudson Valley, a business that has been in existence for over 40 years.
- Greens Natural Foods’ eight stores in New York and New Jersey, offering a selection of 100% organic produce and all-natural, non-GMO groceries & bulk foods; a wide selection of local products; an organic juice and smoothie bar; a fresh foods department, which offers fresh and healthy “grab & go” foods; a full selection of vitamins & supplements; as well as health and beauty products
- Ellwood Thompson’s, an organic and natural health food and vitamin store located in Richmond, Virginia. Ellwood Thompson’s was acquired on October 1, 2023 for a purchase price of approximately \$1,500,000.

Through its wholly owned subsidiary, Healthy Choice Wellness, LLC, the Company (1) operates Healthy Choice Wellness Center in Kingston, NY and (2) has a licensing agreement for a Healthy Choice Wellness Center located at the Casbah Spa and Salon in Fort Lauderdale, FL.

These centers offer multiple vitamin drip mixes and intramuscular shots for clients to choose from that are designed to help boost immunity, fight fatigue and stress, reduce inflammation, enhance weight loss, and efficiently deliver antioxidants and anti-aging mixes. Additionally, there are IV vitamin mixes and shots for health, beauty, and re-hydration.

Through its wholly owned subsidiary, Healthy U Wholesale, Inc, the Company sells vitamins and supplements, as well as health, beauty, and personal care products on its website [www.TheVitaminStore.com](http://www.TheVitaminStore.com).

Additionally, the Company markets its patented the Q-Cup™ technology under the vape segment; this patented technology is based on a small, quartz cup called the Q-Cup™, which a customer partially fills with either cannabis or CBD concentrate (approximately 50mg) purchased from a third party. The Q-Cup™ is then inserted into the Q-Cup™ Tank or Globe, that heats the cup from the outside without coming in direct contact with the solid concentrate. This Q-Cup™ technology provides significantly more efficiency and an “on the go” solution for consumers who prefer to vape concentrates either medicinally or recreationally.

*Spin-Off*

The Company has commenced steps to spin off (“Spin-Off”) its grocery segment and wellness business into a new publicly traded company, Healthy Choice Wellness Corp. (hereinafter referred to as “NewCo”). NewCo will continue the path of growth in the wellness verticals started by HCMC and explore other growth opportunities that comport with HCMC’s healthier lifestyle mission. Following the Spin-Off, HCMC will retain its entire patent suite, the Q-Cup® brand, and continue to develop its patent suite through R&D as well as continuing its path of enforcing its patent rights against infringers and attempting to monetize said patents through licensing deals.

At the time of the Spin-Off, HCMC will distribute all the outstanding shares of Common Stock held by it on a pro rata basis to holders of HCMC's common stock. Shares of HCMC's common stock outstanding as of the record date for the Spin-Off (the "Record Date"), will entitle the holder thereof to receive a certain number of shares of Common Stock in NewCo. The distribution will be made in book-entry form by a distribution agent. Fractional shares of Common Stock will not be distributed in the Spin-Off and any fractional amounts will be rounded down. Please see more disclosure in Note 12 Stockholder Equity.

**Note 2. LIQUIDITY**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern and realization of assets and satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of any uncertainties related to our going concern assessment. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values.

The Company currently and historically has reported net losses and cash outflows from operations. As of September 30, 2023, the Company had cash of approximately \$7.1 million and working capital of \$4.3 million. The Company believes current cash on hand is sufficient to meet its obligations and capital requirements for at least the next twelve months from the date of filing. In the past, the Company financed its operations primarily through issuances of common stock and convertible preferred stock. However, we have no commitments to obtain such additional financing, and there can be no assurance that the Company will be able to raise the necessary funds to fund its operations.

**Note 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and do not include all the information and disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). The Company has made estimates and judgments affecting the amounts reported in the Company's unaudited condensed consolidated financial statements and the accompanying notes. The actual results experienced by the Company may differ materially from the Company's estimates. The condensed consolidated financial information is unaudited but reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair presentation of results for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the "SEC") on March 30, 2023. The condensed consolidated balance sheet as of December 31, 2022 was derived from the Company's audited 2022 financial statements contained in the above referenced Form 10-K. Results of the nine months ended September 30, 2023, are not necessarily indicative of the results to be expected for the full year ending December 31, 2023.

***Significant Accounting Policies***

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the 2022 Annual Report.

**Note 4. CONCENTRATIONS**

***Cash and Restricted Cash***

The Company considers all highly liquid instruments with an original maturity of three months or less, when purchased, to be cash and cash equivalents. The majority of the Company’s cash is concentrated in one large financial institution, which is in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The Company did not have any cash equivalent as of September 30, 2023, and December 31, 2022.

A summary of the financial institution that had cash in excess of FDIC limits of \$250,000 as of September 30, 2023 and December 31, 2022 is presented below:

|                                                  | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|--------------------------------------------------|---------------------------|--------------------------|
| Total cash in excess of FDIC limits of \$250,000 | <b>\$ 6,169,123</b>       | <b>\$ 21,682,144</b>     |

The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests, as deposits are held in excess of federally insured limits. The Company has not experienced any losses in such accounts.

The following table provides a reconciliation of cash and restricted cash to amounts shown in unaudited condensed consolidated statements of cash flow:

|                                | <b>September 30, 2023</b> | <b>September 30, 2022</b> |
|--------------------------------|---------------------------|---------------------------|
| Cash                           | <b>\$ 7,137,833</b>       | <b>\$ 30,009,173</b>      |
| Restricted cash                | <b>628,232</b>            | <b>1,325,000</b>          |
| Total cash and restricted cash | <b>\$ 7,766,065</b>       | <b>\$ 31,334,173</b>      |

***Restricted Cash***

The Company’s restricted cash consisted of cash balances which were restricted as to withdrawal or usage under the August 18, 2022 securities purchase agreement for the purpose of funding any amounts due under the Series E Certificate of Designation upon the redemption of the Series E Preferred Stock. The balance also included cash held in the collateral account to cover the cash draw from the line of credit.

**Note 5. SEGMENT INFORMATION AND DISAGGREGATION OF REVENUES**

In accordance with FASB ASC 280, “Disclosures about Segment of an enterprise and related information”, the Company determined it has two reportable segments: grocery and vapor. There are no inter-segment revenues.

The Company’s general and administrative costs are not segment specific. As a result, all operating expenses are not managed on segment basis.

The tables below present information about reportable segments for the three months and nine months ended September 30, 2023, and 2022:

|                                       | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                |
|---------------------------------------|-------------------------------------|----------------|------------------------------------|----------------|
|                                       | 2023                                | 2022           | 2023                               | 2022           |
| Vapor                                 | \$ -                                | \$ 1,187       | \$ 38                              | \$ 256,747     |
| Grocery                               | 12,704,600                          | 5,775,543      | 39,839,203                         | 16,700,596     |
| Total revenue                         | \$ 12,704,600                       | \$ 5,776,730   | \$ 39,839,241                      | \$ 16,957,343  |
| Retail Vapor                          | \$ -                                | \$ 1,187       | \$ 38                              | \$ 256,747     |
| Retail Grocery                        | 11,307,056                          | 5,187,540      | 35,374,653                         | 14,944,074     |
| Food service/restaurant               | 1,396,194                           | 584,382        | 4,459,142                          | 1,743,228      |
| Online/eCommerce                      | 1,350                               | 3,621          | 5,408                              | 13,294         |
| Total revenue                         | \$ 12,704,600                       | \$ 5,776,730   | \$ 39,839,241                      | \$ 16,957,343  |
| Loss from operations-Vapor            | (7,014)                             | (4,998)        | (24,411)                           | (39,460)       |
| (Loss) income from operations-Grocery | (688,948)                           | (289,653)      | (1,151,710)                        | 20,397         |
| Corporate items                       | (2,695,199)                         | (1,823,550)    | (7,377,745)                        | (4,822,444)    |
| Total loss from operations            | \$ (3,391,161)                      | \$ (2,118,201) | \$ (8,553,866)                     | \$ (4,841,507) |

**Note 6. NOTES RECEIVABLE AND OTHER INCOME**

On September 6, 2018, the Company entered into a secured 36-month promissory note (the “Note”) with VPR Brands L.P. for \$582,260. The Note bears an interest rate of 7.00%, which payments thereunder are \$4,141 weekly. The Company records all proceeds related to the interest of the Note as interest income as proceeds are received.

On August 31, 2022, the Company amended and restated the Note (the “Amended Note”) with VPR Brands L.P. to extend the maturity date for one year. The outstanding balance for the Amended Note is \$211,355. The Amended Note bears an interest rate of 7.00%, which payments thereunder are \$1,500 weekly, with such payments commencing as of September 3, 2022. The Amended Note has a balloon payment of \$145,931 for all remaining accrued interest and principal balance due in the final week of the 1-year extension of the Amended Note.

In August 2023, VPR Brands L.P. settled with the Company for the remaining notes receivable balance of \$145,931 by making a balloon payment of \$135,000 cash. The Company recognized a loss of \$10,931 from this settlement which is included in other (expense) income net in the accompanying unaudited condensed consolidated statements of operations.

A summary of the Amended Note as of September 30, 2023 and December 31, 2022 is presented below:

| Description     | September 30, 2023 | December 31, 2022 |
|-----------------|--------------------|-------------------|
| Promissory Note | \$ -               | \$ 189,225        |

**Note 7. ACQUISITION**

On October 14, 2022, the Company through its wholly owned subsidiary, Healthy Choice Markets IV, LLC, entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Dean’s Natural Food Market of Shrewsbury, Inc., a New Jersey corporation, Green’s Natural Foods, Inc., a Delaware corporation, Dean’s Natural Food Market of Chester, LLC, a New Jersey limited liability company, Dean’s Natural Food Market of Basking Ridge, LLC, a New Jersey limited liability company, and Dean’s Natural Food Market, Inc., a New Jersey corporation (collectively, the “Sellers”), and shareholders of the Sellers. Pursuant to the Purchase Agreement, the Company acquired certain assets and assumed certain liabilities of an organic and natural health food and vitamin chain with eight store locations in New York and northern and central New Jersey (the “Stores”).

The cash purchase price under the Asset Purchase Agreement was \$5,142,000, with \$3,000,000 seller financing in the form of a promissory note. In addition, the seller is entitled to a contingent earn-out based on a certain revenue threshold within the one-year period of the closing.

The Company recorded \$1,108,000 of contingent consideration based on the estimated financial performance for the one year following closing. The contingent consideration was discounted at an interest rate of 3.8%, which represents the Company’s weighted average discount rate. Contingent consideration related to the acquisition is recorded at fair value (level 3) with changes in fair value recorded in other expense (income), net.

The following table summarizes the change in fair value of contingent consideration from acquisition date to September 30, 2023:

|                                  | Fair Market Value -<br>Level 3 |
|----------------------------------|--------------------------------|
| Balance as of October 14, 2022   | \$ 1,108,000                   |
| Remeasurement                    | (333,100)                      |
| Balance as of December 31, 2022  | 774,900                        |
| Remeasurement                    | (774,900)                      |
| Balance as of September 30, 2023 | \$ -                           |

The following table summarizes the change in fair value of contingent consideration for the three months ended September 30, 2023:

|                                  | Fair Market Value -<br>Level 3 |
|----------------------------------|--------------------------------|
| Balance as of June 30, 2023      | \$ 372,000                     |
| Remeasurement                    | (372,000)                      |
| Balance as of September 30, 2023 | \$ -                           |

The following table summarizes the purchase price allocation based on fair values of the net assets acquired at the acquisition date:

|                                                           | October 14, 2022 |
|-----------------------------------------------------------|------------------|
| <b>Purchase Consideration</b>                             |                  |
| Cash consideration paid                                   | \$ 5,142,000     |
| Promissory note                                           | 3,000,000        |
| Contingent consideration issued to Green’s Natural seller | 1,108,000        |
| Total Purchase Consideration                              | \$ 9,250,000     |
| <b>Purchase price allocation</b>                          |                  |
| Inventory                                                 | \$ 1,642,000     |
| Property and equipment                                    | 1,478,000        |
| Intangible assets                                         | 3,251,000        |
| Right of use asset - Operating lease                      | 6,427,000        |
| Other liabilities                                         | (211,000)        |
| Operating lease liability                                 | (6,427,000)      |
| Goodwill                                                  | 3,090,000        |
| Net assets acquired                                       | \$ 9,250,000     |
| <b>Finite-lived intangible assets</b>                     |                  |
| Trade Names (8 years)                                     | \$ 1,133,000     |
| Customer Relationships (6 years)                          | 1,103,000        |
| Non-Compete Agreement (5 years)                           | 1,015,000        |
| Total intangible assets                                   | \$ 3,251,000     |

The acquisition is structured as asset purchase in a business combination, and goodwill is tax-deductible, and amortizable over 15 years for tax purpose.

Revenue and Earnings

The following table represents the combined pro forma revenue and net loss for the three and nine months ended September 30, 2022:

|          | For Three Months<br>Ended<br>September 30, 2022 | For Nine Months<br>Ended<br>September 30, 2022 |
|----------|-------------------------------------------------|------------------------------------------------|
| Sales    | \$ 13,208,469                                   | \$ 40,240,844                                  |
| Net loss | \$ (2,534,383)                                  | \$ (5,888,835)                                 |

The combined proforma revenue and net loss for the three and nine months period ended September 30, 2022 were prepared as though acquisition occurred as of January 1, 2022.

Note 8. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

|                                                 | September 30, 2023 | December 31, 2022 |
|-------------------------------------------------|--------------------|-------------------|
| Displays                                        | \$ 312,146         | \$ 312,146        |
| Building                                        | 575,000            | 575,000           |
| Furniture and fixtures                          | 592,260            | 560,256           |
| Leasehold improvements                          | 1,925,385          | 1,910,719         |
| Computer hardware & equipment                   | 187,967            | 160,210           |
| Other                                           | 688,773            | 587,602           |
|                                                 | 4,281,531          | 4,105,933         |
| Less: accumulated depreciation and amortization | (1,416,122)        | (993,025)         |
| Total property, plant, and equipment, net       | \$ 2,865,409       | \$ 3,112,908      |

The Company incurred approximately \$137,322 and \$64,984 of depreciation expense for the three months ended September 30, 2023 and 2022, and \$423,628 and \$178,575 of depreciation expense for the nine months ended September 30, 2023 and 2022, respectively. The Company wrote off assets and recognized a loss on disposal of approximately \$2,000 for the three months ended September 30, 2023 which is included in other (expense) income, net in the unaudited condensed consolidated statements of operations.

**Note 9. INTANGIBLE ASSETS**

Intangible assets, net are as follows:

| <b>September 30, 2023</b>     | <b>Useful Lives (Years)</b> | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Net Carrying Amount</b> |
|-------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------|
| Trade names                   | 8-10 years                  | \$ 2,569,000                 | \$ (951,193)                    | \$ 1,617,807               |
| Customer relationships        | 4-6 years                   | 2,669,000                    | (1,256,556)                     | 1,412,444                  |
| Patents                       | 10 years                    | 384,665                      | (188,507)                       | 196,158                    |
| Non-compete                   | 4-5 years                   | 1,602,000                    | (514,666)                       | 1,087,334                  |
| <b>Intangible assets, net</b> |                             | <b>\$ 7,224,665</b>          | <b>\$ (2,910,922)</b>           | <b>\$ 4,313,743</b>        |

  

| <b>December 31, 2022</b>      | <b>Useful Lives (Years)</b> | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Net Carrying Amount</b> |
|-------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------|
| Trade names                   | 8-10 years                  | \$ 2,569,000                 | (725,723)                       | \$ 1,843,277               |
| Customer relationships        | 4-6 years                   | 2,669,000                    | (1,033,306)                     | 1,635,694                  |
| Patents                       | 10 years                    | 384,665                      | (159,658)                       | 225,007                    |
| Non-compete                   | 4-5 years                   | 1,602,000                    | (300,467)                       | 1,301,533                  |
| <b>Intangible assets, net</b> |                             | <b>\$ 7,224,665</b>          | <b>\$ (2,219,154)</b>           | <b>\$ 5,005,511</b>        |

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense was approximately \$230,590 and \$165,100 for the three months ended September 30, 2023 and 2022, and \$691,768 and \$473,587 for the nine months ended September 30, 2023 and 2022, respectively. Future annual estimated amortization expense is as follows:

|                                  |                     |
|----------------------------------|---------------------|
| <b>Years ending December 31,</b> |                     |
| 2023 (remaining three months)    | \$ 230,590          |
| 2024                             | 922,358             |
| 2025                             | 916,858             |
| 2026                             | 838,877             |
| 2027                             | 694,457             |
| Thereafter                       | 710,603             |
| <b>Total</b>                     | <b>\$ 4,313,743</b> |

**Note 10. CONTRACT LIABILITIES**

A summary of the contract liabilities activity at September 30, 2023 and December 31, 2022 is presented below:

|                                 | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|---------------------------------|---------------------------|--------------------------|
| Beginning balance as January 1, | \$ 198,606                | \$ 23,178                |
| Issued                          | 664,003                   | 859,383                  |
| Redeemed                        | (664,294)                 | (628,012)                |
| Breakage recognized             | (53,454)                  | (55,943)                 |
| Ending balance                  | <b>\$ 144,861</b>         | <b>\$ 198,606</b>        |

**Note 11. DEBT**

The following table provides a breakdown of the Company’s debt as of September 30, 2023 and December 31, 2022 is presented below:

|                                   | September 30, 2023 | December 31, 2022 |
|-----------------------------------|--------------------|-------------------|
| Promissory note                   | \$ 2,515,013       | \$ 2,913,788      |
| Other debt                        | -                  | 815               |
| Total debt                        | \$ 2,515,013       | \$ 2,914,603      |
| Current portion of long-term debt | (560,322)          | (536,542)         |
| Long-term debt                    | \$ 1,954,691       | \$ 2,378,061      |

**Note 12. STOCKHOLDERS’ EQUITY**

***Series E Redeemable Convertible Preferred Stock***

On August 18, 2022, the Company entered into a Securities Purchase Agreement (“Series E Preferred Stock”) pursuant to which the Company sold and issued 14,722 shares of its Series E Redeemable Convertible Preferred Stock to institutional investors for \$1,000 per share or an aggregate subscription of \$13.25 million. The number of shares issued to each participant is based on subscription amount multiplied by conversion rate of 1.1111. The Company also incurred offering costs of approximately \$410,000, which covers legal and consulting fee.

The HCMC Series E Preferred Stock has voting rights on as converted basis at the Company’s next stockholders’ meeting. However, as long as any shares of HCMC Series E Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the HCMC Series E Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the HCMC Series E Preferred Stock or alter or amend the Certificate of Designation, (b) increase the number of authorized shares of HCMC Series E Preferred Stock, or (c) enter into any agreement with respect to any of the foregoing. Each share of Series E Preferred Stock shall be convertible, at any time and from time to time at the option of the Holder thereof, into that number of shares of Common Stock (subject to the beneficial ownership limitations). The initial conversion price for the HCMC Series E Preferred Stock shall equal \$0.0001.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary that is not a Fundamental Transaction (as defined in the Certificate of Designation), the holders of HCMC Series E Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to \$1,000 per share of Series E Preferred Stock.

Unless earlier converted or extended as set forth below, a holder may require the redemption of all or a portion of the stated value of the HCMC Series E Preferred Stock either (1) six months after closing or (2) the time at which the balance is due and payable upon an event of default.

On March 1, 2023, the Company entered into a First Amendment to HCMC Series E Preferred Stock with each purchaser (“Purchaser”) identified as those who participated in the HCMC Series E Preferred Stock, dated as of August 18, 2022. The parties amended the HCMC Preferred Stock related to the conversion payment whereby upon conversion of the Series E Preferred Stock prior to the record date for the Spin-Off, the Company will pay the Purchaser ten percent (10%) of the stated value of the Series E Preferred Stock converted. The record date was May 1, 2023.

On May 15, 2023, the Company and the Purchaser entered into the Second Amendment to the Securities Purchase Agreement, pursuant to which the Company agreed to extend the time period for the Conversion Payment eligibility to December 1, 2023. The Company filed an amendment to the Certificate of Designation to make the redemption price of the Preferred Stock (the “Redemption Price”) equal the Stated Value regardless of the date on which it is redeemed. Prior to this amendment, the Redemption Price was discounted by 1% for each month after the seven-month anniversary of the Issue Date that the Purchaser elected not to redeem.

For the three months ended September 30, 2023, there were no shares of common stock issued as a result of the Series E preferred stock conversion. Additionally, there were no shares redeemed during the quarter ended September 30, 2023.

For the three months ended September 30, 2023, 0 shares of common stock were issued as a result of the Series E preferred stock conversion. 0 shares of Series E preferred stock were redeemed.

As of September 30, 2023, 1,585 shares of Series E preferred stock was converted into 15,850,000,000 shares of common stock as a result of the Series E preferred stock conversion. 11,193 shares of Series E preferred stock was redeemed and approximately \$11,170,000 was paid for redemption.

Pursuant to the Securities Purchase Agreement, purchasers of the Series E Convertible Preferred Stock will also be required to purchase Series A Convertible Preferred Stock of Healthy Choice Wellness Corp. (“HCWC”) in the same subscription amounts that the Purchasers paid for the HCMC Series E Preferred Stock. HCWC is the HCMC subsidiary that will be spun off to HCMC’s stockholders in connection with the spin off of HCMC’s grocery and wellness businesses.

**Series D Convertible Preferred Stock**

On February 7, 2021, the Company entered into a Securities Purchase Agreement, pursuant to which the Company sold and issued 5,000 shares of its Series D Convertible Preferred Stock (the “Preferred Stock”) to accredited investors for \$1,000 per share or an aggregate subscription of \$5.0 million. In the third quarter of 2023, the Company has issued 8.0 billion shares of Company common stock in connection with the exercise of the remaining 800 shares of the Series D Convertible Preferred Stock at a conversion price of \$0.0001 per share. As of September 30, 2023, all series D preferred stocks have been converted. The Series D Stocks had no voting rights.

**Stock Options and Restricted Stock**

During the nine months ended September 30, 2023 and 2022, no stock options of the Company were exercised into common stock.

On April 23, 2023, the Board of Directors (the “Board”) of HCMC approved the Second Amendment to the 2015 Equity Incentive Plan (the “Amended Plan”). The Amended Plan increased the number of shares of HCMC common stock authorized for issuance under the Amended Plan to 225,000,000,000 shares.

On April 23, 2023, HCMC’s board of directors has approved the issuance of approximately an additional 107,675,000,000 shares of restricted common stock to the employees and executive officers of HCMC. Each grant of restricted common stock will commence vesting of 12.5% of the award on February 1, 2024 and will vest in 12.5% increments on the last day of each calendar quarter thereafter through September 30, 2025. All shares of restricted common stock related to the April 23, 2023 issuance remain unvested as of September 30, 2023.

During the three months ended September 30, 2023 and 2022, the Company recognized stock-based compensation of approximately \$1,127,000 and \$0, respectively in connection with amortization of restricted stock and stock options. During the nine months ended September 30, 2023 and 2022, the Company recognized stock-based compensation of approximately \$2,304,000 and \$0, respectively. Stock based compensation is included as part of selling, general and administrative expense in the accompanying unaudited condensed consolidated statements of operations.

**Income (Loss) Per Share**

The following table summarizes the Company’s securities, in common stock equivalents, which have been excluded from the calculation of dilutive loss per share as their effect would be anti-dilutive:

|                  | As of September 30, |                 |
|------------------|---------------------|-----------------|
|                  | 2023                | 2022            |
| Preferred stock  | 19,444,000,000      | 148,471,000,000 |
| Stock options    | 67,587,230,680      | 68,587,000,000  |
| Restricted stock | 1,500,000,000       | -               |
| Total            | 88,531,230,680      | 217,058,000,000 |

The difference between our common stock outstanding as of September 30, 2023 of 475,266,632,384 and the weighted average number of common stock outstanding in our basic and diluted net loss per share is the exclusion of 111,675,000,000 shares of restricted common stock outstanding which are unvested as of September 30, 2023. There are no other reconciling items except for differences resulting from computing share issuances on a weighted average basis.

**Note 13. COMMITMENTS AND CONTINGENCIES**

On July 7, 2023, the Company entered into patent licensing agreement in the vape segment to grant the licensee the non-exclusive right and license to use, offer or sell the licensed products in the territory of the United States of America. The Company is still in the process of building this operation, and no product sales or no royalties earned as of the date of this filing.

***Legal Proceedings***

Two lawsuits were filed against the Company and its subsidiaries in connection with alleged claimed battery defects for an electronic cigarette device. Plaintiffs claim these batteries were sold by a store of the Company’s subsidiary and have sued for an undetermined amount of damages (other than a total of \$0.4 million of medical costs). The initial complaints were filed between January 2019 and April 2019. We responded to the complaints in 2019 and we exchanged additional support information with the plaintiff for one of the lawsuits in 2021.

On November 30, 2020, the Company filed a patent infringement lawsuit against Philip Morris USA, Inc. and Philip Morris Products S.A. in the U.S. District Court for the Northern District of Georgia. The lawsuit alleges infringement on HCMC-owned patent(s) by the Philip Morris product known and marketed as “IQOS®”. Philip Morris claims that it is currently approaching 14 million users of its IQOS® product and has reportedly invested over \$3 billion in their smokeless tobacco products. On December 3, 2021, the District Court for the Northern District of Georgia effectively dismissed HCMC’s patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. On December 14, 2021, the Company filed a notice of appeal of the District Court for the Northern District of Georgia’s dismissal of the Company’s patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. The appeal brief was filed on February 28, 2022.

On December 3, 2021, the District Court for the Northern District of Georgia effectively dismissed HCMC’s patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. In connection with such dismissal, the defendants sought to recover attorney’s fees from the Plaintiff. On February 22, 2022, the District Court for the Northern District of Georgia granted the defendant’s an award of approximately \$575,000 in attorneys’ fees to be paid by the Company. The Company has fully provisioned this amount as of December 31, 2022. HCMC appealed this ruling on June 22, 2022.

On April 12, 2023, the U.S. Court of Appeals for the Federal Circuit ruled in favor of HCMC on two separate appeals it had filed in its patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. pending in the district court for the Northern District of Georgia.

In the first appeal, HCMC appealed the ruling of the District Court dismissing HCMC’s patent infringement action and denying HCMC’s motion to amend its pleading. In the second appeal, HCMC appealed the District Court’s award of attorneys’ fees to Philip Morris. In its decisions, the Federal Circuit ruled for HCMC by reversing both of those decisions and remanded the case back to the District Court for further proceedings. As a result of the ruling, the Company reversed the \$575,000 which was previously fully provisioned during the three months ended March 31, 2023.

There were two lawsuits in connection with alleged claimed battery defects for an electronic cigarette device. One has been dismissed by the court wherein the plaintiff settled with the Company’s insurance carrier with no economic impact to the Company. In the second lawsuit the Company is in the process of settlement and the case has been removed from the Courts trial calendar. Economic impact to the Company, if any, is not known or estimable at this time.

On September 26, 2023, HCMC filed a patent infringement lawsuit against R.J. Reynolds Vapor Company (“RJR”) in the U.S. District Court for the Middle District of North Carolina in connection with HCMC’s assertions that RJR’s Vuse electronic cigarette infringes one of HCMC’s patents.

From time to time the Company is involved in legal proceedings arising in the ordinary course of our business. We believe that there is no other litigation pending that is likely to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations as of September 30, 2023. With respect to legal costs, we record such costs as incurred.

**Note 14. SUBSEQUENT EVENTS**

On September 28, 2023, the Company through its wholly owned subsidiary, Healthy Choice Markets V, LLC, entered into an Asset Purchase Agreement (the “Purchase Agreement”) with ET Holding, Inc., d/b/a Ellwood Thompson’s Local Market, a Virginia corporation, Ellwood Thompson’s Natural Market, L.C., a Virginia limited liability company, and Richard T. Hood, an individual resident of the Commonwealth of Virginia. The Company acquired certain assets and assumed certain liabilities of an organic and natural health food and vitamin store located in Richmond, Virginia (the “Store”).

The purchase price under the Purchase Agreement is approximately \$1,500,000, of which \$750,000 is in the form of a promissory note. The Company will assume all lease obligations for the Store. The transaction was entered into on September 28, 2023 with effective date of October 1, 2023. The Company has engaged a professional valuation firm to perform the valuation of the assets acquired and liabilities assumed. The purchase price accounting has not been finalized.

On October 2, 2023, the Company signed addendum with the current landlord to renew the lease on its headquarter office for an additional twelve-month period starting from November 1, 2023.

On October 27, 2023, the Company filed a new registration statement on Form S-1 in connection with the spin-off of all of the existing HCWC common stock by Healthier Choices Management Corp. (the “Spin Off S-1”) with the Securities and Exchange Commission (the “Commission”).

On October 30, 2023, the Company filed Amendment No. 1 to its registration statement on Form S-1 (“IPO S-1”) with the Commission.

On October 30, 2023, the Company entered into third amendment to the Securities Purchase Agreement with its Series E Redeemable Convertible Preferred Stock purchasers. The parties agreed to: (1) set the initial conversion price for the Series A Preferred Stock to be the 5-day volume weighted average price measured using the 5 trading days preceding the purchase of the Series A Preferred Stock, (2) on the 40th calendar day (the “Reset Date”) after the sale of the Series A Preferred Stock, reset the conversion price in the event the closing price of the Class A common stock on such date is less than the initial conversion, (3) have the reset conversion price equal a 10% discount to the 5-day volume weighted average price measured using the 5 trading days preceding the Reset Date; provided, however, in no instance will the conversion price be reset below 30% of the initial conversion price, and (4) amend the date on which the obligation to acquire the Series A Preferred Stock ceases to March 1, 2024.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF CONDENSED CONSOLIDATED OPERATIONS**

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes appearing elsewhere in this report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements. The terms “we,” “us,” “our,” and the “Company” refer to Healthier Choices Management Corp. and its wholly-owned subsidiaries, Healthy Choice Markets, Inc., Healthy Choice Markets 2, LLC (“Paradise Health and Nutrition”), Healthy Choice Markets 3, LLC (“Mother Earth’s Storehouse”), Healthy Choices Markets 3 Real Estate LLC, Healthy Choice Markets IV, LLC (“Green’s Natural Foods”), Healthy Choice Markets V, LLC (“Ellwood Thompson’s Local Market”), HCMC Intellectual Property Holdings, LLC, Healthy Choice Wellness, LLC, The Vitamin Store, LLC, Healthy U Wholesale, Inc., and The Vape Store, Inc. (“Vape Store”). All intercompany accounts and transactions have been eliminated in consolidation.

**Company Overview**

Healthier Choices Management Corp. is a holding company focused on providing consumers with healthier daily choices with respect to nutrition and other lifestyle alternatives.

Through its wholly owned subsidiary HCMC Intellectual Property Holdings, LLC, the Company manages and intends to expand on its intellectual property portfolio.

Through its wholly owned subsidiaries, Healthy Choice Markets, Inc., Healthy Choice Markets 2, LLC, and Healthy Choice Markets 3, LLC, and Healthy Choice Markets IV, LLC respectively, the Company operates:

- Ada’s Natural Market, a natural and organic grocery store offering fresh produce, bulk foods, vitamins and supplements, packaged groceries, meat and seafood, deli, baked goods, dairy products, frozen foods, health & beauty products and natural household items ([www.Adasmarket.com](http://www.Adasmarket.com)).
- Paradise Health & Nutrition’s three stores that likewise offer fresh produce, bulk foods, vitamins and supplements, packaged groceries, meat and seafood, deli, baked goods, dairy products, frozen foods, health & beauty products and natural household items ([www.ParadiseHealthDirect.com](http://www.ParadiseHealthDirect.com)).
- Mother Earth’s Storehouse, a two store organic and health food and vitamin chain in New York’s Hudson Valley, which has been in existence for over 40 years ([www.MotherEarthStorehouse.com](http://www.MotherEarthStorehouse.com)).
- Green’s Natural Foods’ eight stores in New York and New Jersey, offering a selection of 100% organic produce and all-natural, non-GMO groceries & bulk foods; a wide selection of local products; an organic juice and smoothie bar; a fresh foods department, which offers fresh and healthy “grab & go” foods; a full selection of vitamins & supplements; as well as health and beauty products ([www.Greensnaturalfoods.com](http://www.Greensnaturalfoods.com)).
- Ellwood Thompson’s, an organic and natural health food and vitamin store located in Richmond, Virginia. ([www.ellwoodthompsons.com](http://www.ellwoodthompsons.com)). Ellwood Thompson’s was acquired on October 1, 2023 for a purchase price of approximately \$1,500,000.

Through its wholly owned subsidiary, Healthy Choice Wellness, LLC, the Company (1) operates Healthy Choice Wellness Center in Kingston, NY and (2) has a licensing agreement for a Healthy Choice Wellness Center located at the Casbah Spa and Salon in Fort Lauderdale, FL.

These centers offer multiple IV drip “cocktails” for clients to choose from that are designed to help boost immunity, fight fatigue and stress, reduce inflammation, enhance weight loss, and efficiently deliver antioxidants and anti-aging mixes. Additionally, there are cocktails for health, beauty, and re-hydration. ([www.HealthyChoiceWellness.com](http://www.HealthyChoiceWellness.com)).

Through its wholly owned subsidiary, Healthy U Wholesale Inc., the Company sells vitamins and supplements, as well as health, beauty and personal care products on its website [www.TheVitaminStore.com](http://www.TheVitaminStore.com).

Additionally, the Company markets its patented Q-Unit™ and Q-Cup® technology. Information on these products and the technology is available on the Company’s website at [www.theQcup.com](http://www.theQcup.com).

**Liquidity**

The unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q have been prepared in conformity with GAAP, which contemplate continuation of the Company as a going concern and realization of assets and satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of any uncertainties related to our going concern assessment. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The unaudited consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.



The Company incurred a loss from operations of approximately \$8.6 million for the nine months ended September 30, 2023. As of September 30, 2023, cash totaled approximately \$7.1 million. The Company believes current cash on hand is sufficient to meet its obligations and capital requirements for at least the next twelve months from the date of filing. In the past, the Company financed its operations primarily through issuances of common stock and convertible preferred stock. However, we have no commitments to obtain such additional financing, and there can be no assurance that the Company will be able to raise the necessary funds to fund its operations.

### Factors Affecting Our Performance

We believe the following factors affect our performance:

**Retail:** We believe the operating performance of our retail stores will affect our revenue and financial performance. The Company has four natural and organic groceries and dietary supplement stores located in Florida, as well as ten located in New York and New Jersey. The Company has closed retail vape stores, as management has shifted its retail sales focus to the wholesale and online channel. The adverse industry trends and increasing federal and state regulations that, if implemented, may negatively impact future wholesale and online operations in vapor segment.

**Increased Competition:** Food retail is a large and competitive industry. Our competition varies and includes national, regional, and local conventional supermarkets, national superstores, alternative food retailers, natural foods stores, smaller specialty stores, and farmers’ markets. In addition, we compete with restaurants and other dining options in the food-at-home and food-away-from-home markets. The opening and closing of competitive stores, as well as restaurants and other dining options, in regions where we operate will affect our results. In addition, changing consumer preferences with respect to food choices and to dining out or at home can impact us. We also expect increased product supply and downward pressure on prices to continue and impact our operating results in the future.

### Results of Operations

The following table sets forth our unaudited condensed consolidated Statements of Operations for the three months ended September 30, 2023 and 2022 that is used in the following discussions of our results of operations:

|                                     | Three Months Ended<br>September 30, |                       | 2023 to 2022        |
|-------------------------------------|-------------------------------------|-----------------------|---------------------|
|                                     | 2023                                | 2022                  | Change \$           |
| <b>SALES</b>                        |                                     |                       |                     |
| Vapor sales, net                    | \$ -                                | \$ 1,187              | \$ (1,187)          |
| Grocery sales, net                  | 12,704,600                          | 5,775,543             | 6,929,057           |
| <b>TOTAL SALES, NET</b>             | <b>12,704,600</b>                   | <b>5,776,730</b>      | <b>6,927,870</b>    |
| Cost of sales vapor                 | -                                   | 364                   | (364)               |
| Cost of sales grocery               | 8,061,966                           | 3,909,190             | 4,152,776           |
| <b>GROSS PROFIT</b>                 | <b>4,642,634</b>                    | <b>1,867,176</b>      | <b>2,775,458</b>    |
| <b>OPERATING EXPENSES</b>           |                                     |                       |                     |
| Selling, general and administrative | 8,033,795                           | 3,985,377             | 4,048,418           |
| <b>LOSS FROM OPERATIONS</b>         | <b>(3,391,161)</b>                  | <b>(2,118,201)</b>    | <b>(1,272,960)</b>  |
| <b>OTHER INCOME (EXPENSE)</b>       |                                     |                       |                     |
| Gain (loss) on investment           | 343                                 | (11,314)              | 11,657              |
| Change in contingent consideration  | 372,000                             | -                     | 372,000             |
| Other (expense) income, net         | (8,397)                             | 4,327                 | (12,724)            |
| Interest income, net                | 36,226                              | 50,202                | (13,976)            |
| Total other income (expense), net   | 400,172                             | 43,215                | 356,957             |
| <b>NET LOSS</b>                     | <b>\$ (2,990,989)</b>               | <b>\$ (2,074,986)</b> | <b>\$ (916,003)</b> |

The decrease in net vapor sales is due to closing all retail vape stores in the second quarter of 2022, as management shifted its retail sales focus to the wholesale and online channel. The sales for the three months ended September 30, 2023, were significantly impacted by technical issues associated with the processing of credit card payments. Management is continuing to work with the third-party provider to address the matter.

Net grocery sales increased \$6.9 million to \$12.7 million for the three months ended September 30, 2023 as compared to \$5.8 million for the same period in 2022. The \$6.9 million increase in grocery sales was primarily due to the acquisition of Green’s Natural Foods.

Vapor cost of sales for the three months ended September 30, 2023 and 2022 were \$0 and \$0.4 thousand, respectively, a decrease of \$0.4 thousand. The decrease is primarily due to closing retail vape stores, as management has shifted its retail sales focus to the wholesale and online channel. Gross (loss) profit was \$0 and \$0.8 thousand for three months ended September 30, 2023 and 2022, respectively.

Grocery cost of sales for the three months ended September 30, 2023 and 2022 were \$8.1 million and \$3.9 million, respectively. The increase of \$4.2 million is primarily due to the acquisition of Green’s Natural Foods stores. Gross profit was \$4.6 million and \$1.9 million for the three months ended September 30, 2023 and 2022, respectively. Gross margin as a percentage of sales increased approximately 4% as compared to the same period in prior year as a result of increased product margin due to improved purchasing control in all grocery stores.

Total operating expenses increased approximately \$4.0 million to \$8.0 million for the three months ended September 30, 2023 compared to \$4.0 million for the same period in 2022. The increase is due to the acquisition of Green’s Natural Foods stores of approximately \$3.2 million, and stock compensation expense of \$1.1 million, offset by decreases in professional fees of \$0.4 million.

Total other income (expense), net increased \$357,000 to \$4000,000 for the three months ended September 30, 2023 compared to \$43,000 for the same period in 2022. The increase in net other income is mainly attributable to the write off of the contingent liability related with Green’s Natural Foods seller’s earn-out.

The following table sets forth our unaudited condensed consolidated Statements of Operations for the nine months ended September 30, 2023 and 2022 that is used in the following discussions of our results of operations:

|                                     | Nine Months Ended<br>September 30, |                       | 2023 to 2022          |
|-------------------------------------|------------------------------------|-----------------------|-----------------------|
|                                     | 2023                               | 2022                  | Change \$             |
| <b>SALES</b>                        |                                    |                       |                       |
| Vapor sales, net                    | \$ 38                              | \$ 256,747            | \$ (256,709)          |
| Grocery sales, net                  | 39,839,203                         | 16,700,596            | 23,138,607            |
| <b>TOTAL SALES, NET</b>             | <b>39,839,241</b>                  | <b>16,957,343</b>     | <b>22,881,898</b>     |
| Cost of sales vapor                 | 653                                | 112,610               | (111,957)             |
| Cost of sales grocery               | 25,199,879                         | 10,674,170            | 14,525,709            |
| <b>GROSS PROFIT</b>                 | <b>14,638,709</b>                  | <b>6,170,563</b>      | <b>8,468,146</b>      |
| <b>OPERATING EXPENSES</b>           |                                    |                       |                       |
| Selling, general and administrative | 23,192,575                         | 11,012,070            | 12,180,505            |
| <b>LOSS FROM OPERATIONS</b>         | <b>(8,553,866)</b>                 | <b>(4,841,507)</b>    | <b>(3,712,359)</b>    |
| <b>OTHER INCOME (EXPENSE)</b>       |                                    |                       |                       |
| Loss on investment                  | (8,057)                            | (6,000)               | (2,057)               |
| Change in contingent consideration  | 774,900                            | -                     | 774,900               |
| Other income                        | 853                                | 27,376                | (26,523)              |
| Interest income, net                | 235,125                            | 81,715                | 153,410               |
| Total other income (expense), net   | 1,002,821                          | 103,091               | 899,730               |
| <b>NET LOSS</b>                     | <b>\$ (7,551,045)</b>              | <b>\$ (4,738,416)</b> | <b>\$ (2,812,629)</b> |

Net vapor sales decreased \$0.3 million to \$0 million for the nine months ended September 30, 2023 as compared to \$0.3 million for the same period in 2022. The decrease in sales is primarily due to closing the remaining retail vape stores during the nine months ended September 30, 2022, as management has shifted its retail sales focus to the wholesale and online channel. The sales for the nine months ended September 30, 2023 were significantly impacted by technical issues associated with the processing of credit card payments. Management is continuing to work with the third-party provider to address the matter.

Net Grocery sales increased \$23.1 million to \$39.8 million for the nine months ended September 30, 2023 as compared to \$16.7 million for the same period in 2022. The increase in sales is primarily due to acquisition of Green’s Natural Foods in October 2022.

Vapor cost of sales for the nine months ended September 30, 2023 and 2022 were \$1.0 thousand and \$0.1 million, respectively, a decrease of \$0.1 million. The decrease is primarily due to closing retail vape stores, as management has shifted its retail sales focus to the wholesale and online channel. Gross (loss) profit was \$(1.0) thousand and \$0.1 million for the nine months ended September 30, 2023 and 2022, respectively.

Grocery cost of sales for the nine months ended September 30, 2023 and 2022 were \$25.2 million and \$10.7 million, respectively, an increase of \$14.5 million. The increase is primarily due to the acquisition of Green’s Natural Foods in October 2022. Gross profit was \$14.6 million and \$6.0 million for the nine months ended September 30, 2023 and 2022, respectively.

Total operating expenses increased \$12.2 million to \$23.2 million for the nine months ended September 30, 2023 compared to \$11.0 million for the same period in 2022. The increase is primarily due to Green’s Natural Food acquisition of approximately \$9.3 million, increases in stock based compensation of \$2.3 million, payroll and employee related costs of \$0.3, occupancy of \$0.2 million, taxes, licenses and permits of \$0.2 million.

Net other income of \$1.0 million for the nine months ended September 30, 2023 includes a loss on investment of \$8,000, change in contingent consideration of \$775,000, other income of \$1,000, and an interest income of \$235,000. Net other income of \$0.1 million for the nine months ended September 30, 2022 includes a loss on investment of \$6,000, other income of \$27,000, and interest income of \$82,000.

*Liquidity and Capital Resources*

|                                | Nine Months Ended<br>September 30, |                     |
|--------------------------------|------------------------------------|---------------------|
|                                | 2023                               | 2022                |
| Net cash (used in) provided by |                                    |                     |
| Operating activities           | \$ (4,939,331)                     | \$ (2,676,131)      |
| Investing activities           | 2,165                              | (5,359,187)         |
| Financing activities           | (11,986,893)                       | 12,873,087          |
|                                | <u>\$ (16,924,059)</u>             | <u>\$ 4,837,769</u> |

Our net cash used in operating activities of approximately \$4.9 million for the nine months ended September 30, 2023 resulted from a net loss of \$7.6 million, offset by a non-cash adjustment of \$5.9 million and a net cash usage of \$3.3 million from changes in operating assets and liabilities. Our net cash used in operating activities of \$2.7 million for the nine months ended September 30, 2022 resulted from a net loss of \$4.7 million and a net cash of \$0.3 million provided by the changes in operating assets and liabilities, offset by a non-cash adjustment of \$1.7 million.

The net cash provided by investing activities of \$2,000 for the nine months ended September 30, 2023 resulted from collection on a note receivable and purchases of property and equipment. The net cash used in investing activities of \$5,359,000 for the nine months ended September 30, 2022 resulted from the acquisition of Mother Earth’s Storehouse, collection of a note receivable, and purchases of property and equipment.

The net cash used in financing activities of approximately \$12.0 million for the nine months ended September 30, 2023 is due to Series E Preferred Stock redemption and exercise, payment for deferred offering cost related with spin off, and principle payment on loan payable. The net cash provided by financing activities of \$12.9 million for the nine months ended September 30, 2022 is due to proceeds received from the Series E Preferred Stock sales and from proceeds received from line of credit.

At September 30, 2023 and December 31, 2022, we did not have any material financial guarantees or other contractual commitments with vendors that are reasonably likely to have an adverse effect on liquidity.

Our cash balances are kept liquid to support our growing acquisition and infrastructure needs for operational expansion. Most of our cash is concentrated in one financial institution and is generally in excess of the FDIC insurance limit. The Company has not experienced any losses on its cash. The following table presents the Company’s cash position as of September 30, 2023 and December 31, 2022.

|                            | September 30, 2023 | December 31, 2022 |
|----------------------------|--------------------|-------------------|
| Cash                       | \$ 7,137,833       | \$ 22,911,892     |
| Total assets               | \$ 37,287,765      | \$ 55,255,030     |
| Percentage of total assets | 19.14%             | 41.47%            |

The Company reported a net loss of \$7.6 million for the nine months ended September 30, 2023. The Company also had positive working capital of \$4.3 million. The Company expects to continue incurring losses for the foreseeable future, but we do not believe there are any substantial doubts about the Company’s ability to continue as a going concern. The Company believes current cash on hand is sufficient to meet its obligations and capital requirements for at least the next twelve months from the date of filing. In the past, the Company financed its operations primarily through issuances of common stock and convertible preferred stock. However, we have no commitments to obtain such additional financing, and there can be no assurance that the Company will be able to raise the necessary funds to fund its operations.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

Our management’s discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and disclosure of commitments and contingencies at the date of the condensed consolidated financial statements.

We base our estimates on our historical experience, knowledge of our business and industry, current and expected economic conditions, the attributes of our products, the regulatory environment, and in certain cases, the results of outside appraisals. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

There have been no material changes to the Company’s critical accounting policies and estimates as compared to the critical accounting policies and estimates described in the 2022 Annual Report, which we believe are the most critical to our business and the understanding of our results of operations and affect the more significant judgments and estimates that we use in the preparation of our condensed consolidated financial statements.

**Seasonality**

We do not consider our business to be seasonal.

**Cautionary Note Regarding Forward-Looking Statements**

This report includes forward-looking statements including statements regarding retail expansion, the future demand for our products, the transition to vaporizer and other products, competition, the adequacy of our cash resources and our authorized Common Stock, and our continued ability to raise capital.

The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors that could cause actual results to differ from those in the forward-looking statements include our future common stock price, the timing of future Series E preferred stock conversions and stock sales, customer acceptance of our products, and proposed federal and state regulation. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable to smaller reporting companies.

**ITEM 4. CONTROLS AND PROCEDURES**

We are required to report under Section 404(a) of Sarbanes-Oxley regarding the effectiveness of our internal control over financial reporting.

***Evaluation of Disclosure Controls and Procedures***

Our management, including our Principal Executive Officer and Principal Financial Officer, did not carry out an evaluation on internal controls as of September 30, 2023 in regard to the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act. As an evaluation was not carried out, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this report.

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s internal control over financial reporting was ineffective as of September 30, 2023 and noted the material weaknesses as follows:

- Failure to have properly documented and designed disclosure controls and procedures and testing of the operating effectiveness of our internal control over financial reporting.
- Failure to perform periodic and year-end inventory observations in a timely manner and adequate controls to sufficiently perform required rollback procedures of inventory counts to the year-end.
- Weakness around our purchase orders and inventory procedures, inclusive of year-end physical inventory observation procedures as well as physical count procedures.
- Segregation of duties due to lack of personnel.
- Information technology general controls (ITGCs) were not designed effectively to ensure that appropriate access security controls, change management and data center and network operations ITGCs were in place.

Our management concluded that considering internal control deficiencies that, in the aggregate, rise to the level of material weaknesses, we did not maintain effective internal control over financial reporting as of September 30, 2023 based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

***Planned Remediation***

Management continues to work to improve its controls related to our material weaknesses listed above. In order to achieve the timely implementation of the controls over the above-mentioned weaknesses, management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- Continuing to increase headcount across the Company, with a particular focus on hiring individuals with strong internal control backgrounds and inventory expertise.
- Increase third party physical inventory count and store level internal inventory count.
- Increasing its focus on the Company’s purchase order process in order to better manage inventory thereby improving cash management and ultimately leading to more reliable and precise financial reporting. The Company implemented an open to buy program by comparing purchases with sales to better control overall inventory purchases.
- Using business intelligence to combine business analytics, data tools and infrastructure to help the Company quickly identify the issues in POS system and facilitate internal control over financial reporting. Developing dashboards for operation to monitor the margin at store level, department level and sku level.
- Establishing policies and procedures in the IT area to mitigate data breach, unauthorized access, and address segregation of duties.

We are currently working to improve and simplify our internal processes and implement enhanced controls, as discussed above, to address the material weaknesses in our internal control over financial reporting and to remedy the ineffectiveness of our disclosure controls and procedures. These material weaknesses will not be considered to be remediated until the applicable remediated controls are operating for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

***Changes in Internal Controls over Financing Reporting***

Except as detailed above, during the three months ended September 30, 2023, there were no significant changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Two lawsuits were filed against the Company and its subsidiaries in connection with alleged claimed battery defects for an electronic cigarette device. Plaintiffs claim these batteries were sold by a store of the Company's subsidiary and have sued for an undetermined amount of damages (other than a total of \$0.4 million of medical costs). The initial complaints were filed between January 2019 and April 2019. We responded to the complaints in 2019 and we exchanged additional support information with the plaintiff for one of the lawsuits in 2021.

On November 30, 2020, the Company filed a patent infringement lawsuit against Philip Morris USA, Inc. and Philip Morris Products S.A. in the U.S. District Court for the Northern District of Georgia. The lawsuit alleges infringement on HCMC-owned patent(s) by the Philip Morris product known and marketed as "IQOS®". Philip Morris claims that it is currently approaching 14 million users of its IQOS® product and has reportedly invested over \$3 billion in their smokeless tobacco products. On December 3, 2021, the District Court for the Northern District of Georgia effectively dismissed HCMC's patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. On December 14, 2021, the Company filed a notice of appeal of the District Court for the Northern District of Georgia's dismissal of the Company's patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. The appeal brief was filed on February 28, 2022.

On December 3, 2021, the District Court for the Northern District of Georgia effectively dismissed HCMC's patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. In connection with such dismissal, the defendants sought to recover attorney's fees from the Plaintiff. On February 22, 2022, the District Court for the Northern District of Georgia granted the defendant's an award of approximately \$575,000 in attorneys' fees to be paid by the Company. HCMC appealed this ruling on June 22, 2022.

On April 12, 2023, the U.S. Court of Appeals for the Federal Circuit ruled in favor of HCMC on two separate appeals it had filed in its patent infringement action against Philip Morris USA, Inc. and Philip Morris Products S.A. pending in the district court for the Northern District of Georgia.

In the first appeal, HCMC appealed the ruling of the District Court dismissing HCMC's patent infringement action and denying HCMC's motion to amend its pleading. In the second appeal, HCMC appealed the District Court's award of attorneys' fees to Philip Morris. In its decisions, the Federal Circuit ruled for HCMC by reversing both of those decisions and remanded the case back to the District Court for further proceedings.

There were two lawsuits in connection with alleged claimed battery defects for an electronic cigarette device. One has been dismissed by the court wherein the plaintiff settled with the Company's insurance carrier with no economic impact to the Company. In the second lawsuit the Company is in the process of settlement and the case has been removed from the Courts trial calendar. Economic impact to the Company, if any, is not known or estimable at this time.

On September 26, 2023, HCMC filed a patent infringement lawsuit against R.J. Reynolds Vapor Company ("RJR") in the U.S. District Court for the Middle District of North Carolina in connection with HCMC's assertions that RJR's Vuse electronic cigarette infringes one of HCMC's patents.

From time to time the Company is involved in legal proceedings arising in the ordinary course of our business. We believe that there is no other litigation pending that is likely to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations as of September 30, 2023. With respect to legal costs, we record such costs as incurred.

**ITEM 1A. RISK FACTORS.**

Not Applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

**ITEM 5. OTHER INFORMATION.**

Not Applicable.

**ITEM 6. EXHIBITS.**

See the exhibits listed in the accompanying “Index to Exhibits.”

## INDEX TO EXHIBITS

| Exhibit<br>No. | Exhibit Description                                                                      | Incorporated by Reference |      |        | Filed or<br>Furnished<br>Herewith |
|----------------|------------------------------------------------------------------------------------------|---------------------------|------|--------|-----------------------------------|
|                |                                                                                          | Form                      | Date | Number |                                   |
| 31.1           | <a href="#">Certification of Principal Executive Officer (302)</a>                       |                           |      |        | Filed                             |
| 31.2           | <a href="#">Certification of Principal Financial Officer (302)</a>                       |                           |      |        | Filed                             |
| 32.1           | <a href="#">Certification of Principal Executive Officer (906)</a>                       |                           |      |        | Furnished *                       |
| 32.2           | <a href="#">Certification of Principal Financial Officer (906)</a>                       |                           |      |        | Furnished *                       |
| 101.INS        | XBRL Instance Document                                                                   |                           |      |        | Filed                             |
| 101.SCH        | XBRL Taxonomy Extension Schema Document                                                  |                           |      |        | Filed                             |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document                                    |                           |      |        | Filed                             |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document                                     |                           |      |        | Filed                             |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document                                          |                           |      |        | Filed                             |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document                                   |                           |      |        | Filed                             |
| 104            | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |                           |      |        | Filed                             |

\* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTHIER CHOICES MANAGEMENT CORP.

Date: November 13, 2023

By: /s/ Jeffrey Holman

Jeffrey Holman  
Chief Executive Officer

Date: November 13, 2023

By: /s/ John Ollet

John Ollet  
Chief Financial Officer

**Exhibit 31.1**

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jeffrey Holman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Healthier Choices Management Corp.;
2. Based on my knowledge, this report 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;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ Jeffrey Holman*  
Jeffrey Holman  
Chief Executive Officer  
(Principal Executive Officer)

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**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, John Ollet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Healthier Choices Management Corp.;
2. Based on my knowledge, this report 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;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

*/s/ John Ollet*  
John Ollet  
Chief Financial Officer  
(Principal Financial Officer)

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Healthier Choices Management Corp. (the “Company”) on Form 10-Q for the quarter ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey Holman, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

*/s/ Jeffrey Holman*

\_\_\_\_\_  
Jeffrey Holman  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Healthier Choices Management Corp. (the “Company”) on Form 10-Q for the quarter ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, John Ollet, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

*/s/ John Ollet*

\_\_\_\_\_  
John Ollet  
Chief Financial Officer  
(Principal Financial Officer)