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

Form 10-Q

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

For the quarterly period ended September 30, 2020

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	84-1070932
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3800 North 28Th Way Hollywood, FL	33020
(Address of principal executive offices)	(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.

X 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).

X 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	☐	Accelerated filer	☐
Non-accelerated filer	X	Smaller reporting company	X
		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 X 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 18, 2020, there were 105,110,848,017 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 (Unaudited)

HEALTHIER CHOICES MANAGEMENT CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

		September 30, 2020		December 31, 2019
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	**602,318**	$	1,525,415
Accounts receivable, net		**85,527**		65,401
Inventories		**1,785,959**		1,757,012
Prepaid expenses and vendor deposits		**328,008**		269,833
Investment		**10,286**		24,000
TOTAL CURRENT ASSETS		**2,812,098**		3,641,661
Restricted cash		**4,386,081**		2,000,000
Property and equipment, net of accumulated depreciation		**258,774**		332,290
Intangible assets, net of accumulated amortization		**1,346,374**		1,923,447
Goodwill		**916,000**		956,000
Note receivable		**319,620**		343,387
Right of use asset – operating lease, net		**4,234,280**		4,663,019
Other assets		**89,595**		146,865
TOTAL ASSETS	$	**14,362,822**	$	14,006,669
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	**1,090,831**	$	825,860
Contract liabilities		**19,400**		26,823
Current portion of line of credit		**2,000,000**		2,000,000
Current portion of loan payment		**3,392,466**		282,344
Operating lease liability, current		**502,289**		555,959
TOTAL CURRENT LIABILITIES		**7,004,986**		3,690,986
Loan payable, net of current portion		**965,675**		869,223
Operating lease liability, net of current		**3,225,215**		3,544,729
TOTAL LIABILITIES		**11,195,876**		8,104,938
COMMITMENTS AND CONTINGENCIES (SEE NOTE 8)				
STOCKHOLDERS' EQUITY				
Series B convertible preferred stock, $1,000 par value per share, 30,000 shares authorized; 20,150 shares issued and outstanding as of September 30, 2020 and December 31, 2019; aggregate liquidation preference of $20.2 million		**20,150,116**		20,150,116
Common Stock, $0.0001 par value per share, 750,000,000,000 shares authorized; approximately 105.1 and 67.7 billion shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively		**10,511,085**		6,769,849
Additional paid-in capital		**3,953,163**		7,618,245
Accumulated deficit		**(31,447,418)**		(28,636,479)
TOTAL STOCKHOLDERS' EQUITY		**3,166,946**		5,901,731
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	**14,362,822**	$	14,006,669

See notes to unaudited condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
SALES				
Vapor sales, net	**$ 594,145**	$ 898,229	**$ 1,888,480**	$ 3,207,530
Grocery sales, net	**2,753,648**	2,520,101	**8,804,397**	8,407,919
TOTAL SALES, NET	**3,347,793**	3,418,330	**10,692,877**	11,615,449
Cost of sales vapor	**256,461**	385,208	**787,998**	1,337,555
Cost of sales grocery	**1,729,213**	1,629,980	**5,461,574**	5,309,567
GROSS PROFIT	**1,362,119**	1,403,142	**4,443,305**	4,968,327
Selling, general and administrative	**2,195,275**	2,532,505	**6,735,815**	8,057,452
Impairment of intangible assets	**380,646**	-	**380,646**	-
OPERATING EXPENSES	**2,575,921**	2,532,505	**7,116,461**	8,057,452
LOSS FROM OPERATIONS	**(1,213,802)**	(1,129,363)	**(2,673,156)**	(3,089,125)
OTHER (EXPENSE) INCOME				
Gain (loss) on investment	**(2,571)**	(12,514)	**(13,714)**	(57,514)
Other expense, net	**-**	(146)	**(100)**	(838)
Interest income (expense), net	**(84,592)**	(8,280)	**(123,969)**	(19,669)
Total other (expense) income, net	**(87,163)**	(20,940)	**(137,783)**	(78,021)
NET LOSS	**$ (1,300,965)**	$ (1,150,303)	**$ (2,810,939)**	$ (3,167,146)
NET LOSS PER SHARE-BASIC AND DILUTED	**$ 0.00**	**$ 0.00**	**$ 0.00**	**$ 0.00**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED	**102,108,302,961**	**66,929,136,282**	**84,476,736,667**	**66,734,751,470**

See notes to unaudited condensed consolidated financial statements

HEALTHIER CHOICES MANAGEMENT CORP.
CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020
(UNAUDITED)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance – July 1, 2020	**20,150**	**$ 20,150,116**	**87,558,296,598**	**$ 8,755,829**	**$ 5,706,544**	**$ (30,146,453)**	**$ 4,466,036**
Issuance of common stock in connection with cashless exercise of Series A warrants	-	-	**17,552,551,418**	**1,755,255**	**(1,755,255)**	-	-
Stock-based compensation expense	-	-	-	-	**1,875**	-	**1,875**
Net loss	-	-	-	-	-	**(1,300,965)**	**(1,300,965)**
Balance – September 30, 2020	**20,150**	**$ 20,150,116**	**105,110,848,016**	**$ 10,511,084**	**$ 3,953,164**	**$ (31,447,418)**	**$ 3,166,946**

HEALTHIER CHOICES MANAGEMENT CORP.
CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019
(UNAUDITED)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance – July 1, 2019	**20,150**	**$ 20,150,116**	**66,645,257,694**	**$ 6,664,526**	**$ 7,543,370**	**$ (27,853,946)**	**$ 6,504,066**
Issuance of common stock in connection with cashless exercise of Series A warrants	-	-	53,236,547	5,323	(3,112)	-	2,211
Issuance of awarded stock for board members	-	-	1,000,000,000	100,000	(100,000)	-	-
Stock-based compensation expense	-	-	-	-	147,570	-	147,570
Net loss						(1,150,303)	(1,150,303)
Balance – September 30, 2019	**20,150**	**$ 20,150,116**	**67,698,494,241**	**$ 6,769,849**	**$ 7,587,828**	**$ (29,004,249)**	**$ 5,503,544**

See notes to unaudited condensed consolidated financial statements

HEALTHIER CHOICES MANAGEMENT CORP.
CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(UNAUDITED)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance – January 1, 2020	**20,150**	**$ 20,150,116**	**67,698,494,244**	**$ 6,769,849**	**$ 7,618,245**	**$ (28,636,479)**	**$ 5,901,731**
Issuance of common stock in connection with cashless exercise of Series A warrants	-	-	37,412,353,772	3,741,235	(3,741,235)	-	-
Stock-based compensation expense	-	-	-	-	76,154	-	76,154
Net loss	-	-	-	-	-	(2,810,939)	(2,810,939)
Balance – September 30, 2020	**20,150**	**$ 20,150,116**	**105,110,848,016**	**$ 10,511,084**	**$ 3,953,164**	**$ (31,447,418)**	**$ 3,166,946**

HEALTHIER CHOICES MANAGEMENT CORP.
CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(UNAUDITED)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance – January 1, 2019	**20,150**	**$ 20,150,116**	**66,623,514,522**	**$ 6,662,351**	**$ 7,348,390**	**$ (25,734,088)**	**$ 8,426,769**
Issuance of common stock in connection with cashless exercise of Series A warrants	-	-	74,979,719	7,498	(4,386)	-	3,112
Cumulative Effect on adoption of ASC 842	-	-	1,000,000,000	100,000	(100,000)	-	-
Cumulative Effect on adoption of ASC 842	-	-	-	-	-	(103,015)	(103,015)
Stock-based compensation expense	-	-	-	-	343,824	-	343,824
Net loss						(3,167,146)	(3,167,146)
Balance – September 30, 2019	**20,150**	**$ 20,150,116**	**67,698,494,241**	**$ 6,769,849**	**$ 7,587,828**	**$ (29,004,249)**	**$ 5,503,544**

See notes to unaudited condensed consolidated financial statements

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

	Nine Months Ended September 30,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	$ (2,810,939)	$ (3,167,146)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	-	(3,002)
Depreciation and amortization	424,020	449,071
Loss on disposal of assets	-	25,427
Loss on investment	13,714	57,514
Amortization of right-of-use asset	428,740	459,760
Stock-based compensation expense	76,154	343,824
Impairment of intangible assets	380,646	-
Changes in operating assets and liabilities:		
Accounts receivable	(20,126)	12,582
Inventories	(28,947)	(16,606)
Prepaid expenses and vendor deposits	(58,175)	94,110
Contract assets	-	14,400
Other assets	57,270	(3,423)
Accounts payable	267,220	(155,910)
Accrued expenses	(2,249)	(294,211)
Contract liabilities	(7,423)	(268,302)
Lease liability	(373,184)	(402,857)
NET CASH USED IN OPERATING ACTIVITIES	(1,653,279)	(2,854,769)
INVESTING ACTIVITIES		
Collection of note receivable	23,767	137,250
Purchases of property and equipment	(24,663)	(12,967)
Purchases of patent	(89,415)	(25,000)
NET CASH USED IN INVESTING ACTIVITIES	(90,311)	99,283
FINANCING ACTIVITIES		
Proceeds from line of credit	-	131,540
Principal payments on loan payable	(209,941)	(188,323)
Proceeds from paycheck protection program	876,515	-
Proceeds from loan and security agreement	2,540,000	-
NET CASH USED IN FINANCING ACTIVITIES	3,206,574	(56,783)
NET DECREASE IN CASH, CASH EQUIVALENT AND RESTRICTED CASH	1,462,984	(2,812,269)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH— BEGINNING OF PERIOD	3,525,415	7,061,253
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — END OF PERIOD	$ 4,988,399	$ 4,248,984
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 161,876	$ 107,646

See notes to unaudited condensed consolidated financial statements

Note 1. ORGANIZATION

Organization

Healthier Choices Management Corp. (collectively, the "Company", "we", "us" and "our")) is a holding company focused on providing consumers with healthier daily choices with respect to nutrition and other lifestyle alternatives. The Company currently operates nine retail vape stores in the Southeast region of the United States, through which it offers e-liquids, vaporizers and related products. The Company also operates Ada's Natural Market, a natural and organic grocery store, through its wholly owned subsidiary Healthy Choice Markets, Inc and Paradise Health and Nutrition, stores that 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 through its wholly owned subsidiary Healthy Choice Markets 2, LLC. The Company also sells vitamins and supplements on the Amazon.com marketplace through its wholly owned subsidiary Healthy U Wholesale, Inc. The Company markets 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 50 mg) 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.

COVID-19 Management Update

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus has recently been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States, including in the markets in which the Company operates. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, "shelter in place" and other governmental regulations, reduced consumer spending due to both job losses and other effects attributable to the COVID-19, and there are many unknowns. The Company has adjusted certain aspects of the operations to protect their employees and customers while still meeting customers' needs. While to date the Company has not been required to close any of its stores, the Company is currently operating under regular hours and we are expecting COVID-19 to have a long-term beneficial impact to the future financial results of the grocery segment. The Company continues to monitor the impact of the COVID-19 outbreak closely. The extent to which the COVID-19 outbreak will impact our operations is manageable, and there is no imminent risk on business continuity and future operation.

Note 2. GOING CONCERN AND LIQUIDITY

The accompanying 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 incurred a loss from operations of approximately $2.7 million for the nine months ended September 30, 2020. As of September 30, 2020, cash and cash equivalents totaled approximately $0.6 million. equivalents to be generated from operations will not be sufficient to cover our projected operating expenses for the foreseeable future. Management believes these conditions raises substantial doubt about the Company's ability to continue as a going concern within a year and a day from the issuance of these consolidated financial statements. The ability of the Company to continue as a going concern is dependent on the Company's ability to generate significant revenue and raise additional funds (either through equity or debt financings, collaborative agreements or from other sources). There are no assurances that the Company will be successful in its efforts to generate significant revenues, maintain a sufficient cash balance or report profitable operations to continue as a going concern.

Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassification

Certain amounts in the consolidated financial statements and related notes have been reclassified to conform to the current year presentation. Such reclassifications do not impact the Company's previously reported financial position or net income (loss).

Use of Estimates in the Preparation of the Financial Statements

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of net revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include allowances, reserves and write-downs of receivables and inventory, valuing equity securities and hybrid instruments, share-based payment arrangements, deferred taxes and related valuation allowances, and the valuation of the assets and liabilities acquired in business combinations. Certain of management's estimates could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. The Company re-evaluates all of its accounting estimates at least quarterly based on these conditions and records adjustments when necessary.

Basis of Presentation and Principles of Consolidation

The Company's unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The unaudited condensed consolidated financial statements include the accounts of all subsidiaries in which the Company holds a controlling financial interest as of the financial statement date.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Healthy Choice Markets, Inc., Healthy Choice Markets 2, LLC ("Paradise Health and Nutrition"), The Vitamin Store, LLC, Healthy U Wholesale, Inc., The Vape Store, Inc. ("Vape Store"), Vaporin, Inc. ("Vaporin"), Smoke Anywhere U.S.A., Inc. ("Smoke"), Emagine the Vape Store, LLC ("Emagine"), IVGI Acquisition, Inc., Vapormax Franchising LLC, Vaporin LLC, and Vaporin Florida, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). The amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 in the second quarter of 2020 using the retrospective transition method to each period presented. The adoption primarily resulted in the inclusion of the restricted cash balances within the overall cash balances and a reconciliation of cash, cash equivalents and restricted cash reported on the condensed consolidated balance sheet. The adoption of this standard did not have a material impact on the condensed consolidated financial statements and is not expected to have a material impact for the foreseeable future. See "Cash and Cash Equivalents and Restricted Cash" above for further discussion of the effects of the adoption of ASU 2016-18 on the Company's significant accounting policies.

Unaudited Interim Financial Information

The unaudited condensed consolidated financial statements have been prepared by the Company and reflect all normal, recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the interim financial information. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the year ending December 31, 2020. Certain information and footnotes normally included in financial statements prepared in accordance with GAAP have been omitted under the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). These unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the audited consolidated financial statements and related notes thereto as of and for the year ended December 31, 2019 included in the Company's Annual Report on Form 10-K for such year as filed with the SEC on May 13, 2020.

Note 4. CONCENTRATIONS

Cash and Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts shown in the statement of cash flows:

		September 30, 2020		December 31, 2019
Cash and Cash Equivalent	$	602,318	$	1,525,415
Restricted cash, non-current portion		4,386,081		2,000,000
Total cash, cash equivalents and restricted cash	$	4,988,399	$	3,525,415

Restricted Cash

The Company's restricted cash consists of cash balances which are restricted as to withdrawal or usage under the August 2020 Loan and Security agreement and cash balances obligated to maintain in a money market account as per the April 2018 revolving credit line agreement. See Note 8 for further discussions.

Note 5. DISAGGREGATION OF REVENUES

The Company reports the following segments in accordance with management guidance: Vapor and Grocery. When the Company prepares its internal management reporting to evaluate business performance, we disaggregate revenue into the following categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2020		2019		2020		2019
Vapor	$	594,145	$	898,229	$	1,888,480	$	3,207,530
Grocery		2,753,648		2,520,101		8,804,397		8,407,919
Total revenue	$	3,347,793	$	3,418,330	$	10,692,877	$	11,615,449
Retail Vapor	$	594,145	$	898,216	$	1,888,480	$	3,207,120
Retail Grocery		2,369,942		2,168,645		7,707,101		7,302,378
Food service/restaurant		248,757		291,435		823,724		949,211
Online/eCommerce		75,009		45,927		261,158		127,129
Wholesale Grocery		59,940		14,094		12,414		29,201
Wholesale Vapor		-		13		-		410
Total revenue	$	3,347,793	$	3,418,330	$	10,692,877	$	11,615,449

Note 6. INTANGIBLE ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-35-23, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-35-23 requires that a company recognize an impairment loss if, and only if, the carrying amount of a long-lived asset (asset group) is not recoverable from the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset (the "Recoverable Amount") and if the carrying amount exceeds the asset's fair value.

As part of management's qualitative analysis at September 30, 2020 to determine whether any triggering events have occurred since the last impairment test in December 30, 2019, which would indicate an impairment. Management determined that triggering events had occurred through the nine month ended September 30, 2020 and recorded an impairment to intangible assets.

The Company determined that the carrying value of intangible assets for the Vitamin Store are not recoverable based on the monthly average sales for the nine months ended September 30, 2020. The Company concluded that the intangible assets was impaired and recorded an impairment charges of $0.4 million for the nine months ended September 30, 2020. The Company did not have an impairment charge for the same period in 2019.

Intangible assets, net are as follows:

September 30, 2020	**Useful Lives (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Trade names	8-10 years	**$ 923,000**	**$ (418,068)**	**$ 504,932**
Customer relationships	4-10 years	**883,000**	**(420,635)**	**462,365**
Patents	10 years	**359,665**	**(76,650)**	**283,015**
Non-compete	4 years	**174,000**	**(77,938)**	**96,062**
Intangible assets, net		**$ 2,339,665**	**$ (993,291)**	**$ 1,346,374**

December 31, 2019	**Useful Lives (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Trade names	8-10 years	$ 993,000	(354,203)	$ 638,797
Customer relationships	4-10 years	1,228,000	(293,260)	934,740
Patents	10 years	270,250	(49,027)	221,223
Non-compete	4 years	174,000	(45,313)	128,687
Intangible assets, net		$ 2,665,250	$ (741,803)	$ 1,923,447

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense amounted to approximately $0.3 million and $0.3 million for the nine months ended September 30, 2020 and 2019, respectively. Future annual estimated amortization expense is as follows:

Years ending December 31,	
2020 (remaining three months)	$ 98,023
2021	385,091
2022	369,706
2023	130,841
2024	130,841
Thereafter	231,872
Total	$ 1,346,374

Note 7. CONTRACT LIABILITIES

The Company's contract liabilities consists of gift cards and loyalty rewards, for which the Company has a performance obligation to deliver products when customers redeem balances or terms expire through breakage. Our breakage policy is twenty four-month for gift cards, twelve months for Grocery loyalty rewards, and six months for Vapor loyalty rewards. As such, all contract liabilities are expected to be recognized within a twenty four-month period. Revenue is recognized when gift card and loyalty points are redeemed.

A summary of the net changes in contract liabilities activity for the nine months ended September 30, 2020 and 2019 is presented below:

	As of September 30,	
	2020	2019
Beginning balance as January 1,	**$ 26,823**	$ 442,630
Issued	**33,221**	50,778
Redeemed	**(39,405)**	(57,319)
Breakage recognized	**(341)**	(1,563)
Fulfillment of contract	**(898)**	(260,198)
Ending balance as of September 30,	**$ 19,400**	$ 174,328

Note 8. DEBT

The following table provides a breakdown of the Company's debt as of September 30, 2020 is presented below:

	Principal		Debt Discount		Net Amount	
Line of Credit	$	2,000,000	$	-	$	2,000,000
Term Loan Credit Agreement		870,925		-		870,925
Paycheck Protection Program		880,051		-		880,051
Loan and Security Agreement ("PPE Loan")		2,667,000		(66,322)		2,600,678
Other debt		6,487		-		6,487
Total debt	**$**	**6,424,463**	**$**	**(66,322)**	**$**	**6,358,141**

Line of Credit

On April 13, 2018, the Company agreed to a new revolving credit line of $2 million and a money market account of $2 million ("blocked account") with Professional Bank in Coral Gables, Florida. On September 30, 2020, the Company reached agreement with Professional Bank to renew the credit line for one more year, and the next annual review will occur on or before July 15, 2021. The new agreement included a variable interest rate that it is based on a rate of 1.5% over what is earned on the collateral amount. The collateral amount established in the arrangement with the bank is $2 million. As of September 30, 2020, the Company had $2 million in the blocked account, which is recorded as restricted cash included in non-current assets.

Term Loan Credit Agreement

On December 31, 2018, the Company entered into a Term Loan Credit Agreement (the "Credit Agreement") with Professional Bank, a Florida banking corporation (the "Bank"), pursuant to which the Company issued a Term Note (the "Term Note") in the principal amount of $1,400,000 in favor of the Bank. The Term Note bears interest at a rate equal to 1.5 percentage points in excess of that rate shown in the Wall Street Journal as the prime rate, adjusted annually (which was 5.50% as of December 31, 2019). The proceeds of the Term Note were used for acquisitions and for general working capital requirements.

The Credit Agreement contains a customary financial covenant for a minimum debt service coverage ratio of 1.25 to 1.0. The Credit Agreement matures on December 31, 2023. In addition, the Credit Agreement provides for monthly principle payments of $22,333 commencing in January 2019 plus applicable interest, and mandatory prepayments with a portion of excess cash flow.

The obligations under the Credit Agreement and the Term Note are guaranteed by the Company and its wholly owned subsidiary, Healthy U Wholesale, Inc.

Paycheck Protection Program

On May 15, 2020, the Company was granted a loan (the "Loan") from Customers Bank, in the aggregate amount of $876,515, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated May 6, 2020 issued by the Company, matures on May 6, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 6, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after May 6, 2020. The Company intends to use the entire Loan amount for these qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Loan and Security Agreement

On August 18, 2020, the Company agreed to a loan and security agreement (the "Loan") in the aggregate of $2.7 million with Sabby Healthcare Master Fund, LTD and Sabby Volatility Warrant Master Fund, LTD ("collectively, the Lender"). The loan has a non-refundable discount of 5% to the face amount of the loan and it matures on November 16, 2020. The debt obligations from the loan are secured by the assets of the Company. The proceeds received from the Loan were record as restricted cash included in non-current assets. The proceeds will be used solely for the purchase of personal protective equipment ("PPE") and any related expenses from the transactions. The Lender is entitled to 20% of all Net profits received from the sales of the PPE goods through the maturity date.

Note 9. STOCKHOLDERS' EQUITY

Series A Warrants

In the nine months ended September 30, 2020, the Company issued 37.4 billion shares in connection with the cashless exercise of the Series A warrants.

On July 27, 2020, the remaining Company Series A Warrants expired and the balance of outstanding warrants not exercised was 355,661 warrants.

Series C Stock

On September 25, 2020, the Company entered into agreements with certain holders of its Series B Convertible Preferred Stock to exchange all the Series B Stock for 20,150.1153 shares of Series C Stock. Each share of Series C Stock has a stated value equal to $1,000 and is convertible into Common Stock on a fixed basis at a conversion price of $0.0001 per share. As of the end of the third quarter of 2020, the closing of the stock exchange had not occurred.

Stock Options

A summary of Stock-based compensation expense recognized is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Stock-based compensation	**$ 1,875**	$ 147,570	**$ 76,154**	$ 343,824

Income (Loss) Per Share

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

	As of September 30,	
	2020	2019
Preferred stock	**201,501,000,000**	201,501,000,000
Stock options	**68,062,000,000**	91,062,000,000
Warrants	**-**	41,420,000,000
Total	**269,563,000,000**	333,983,000,000

Note 10. COMMITMENTS AND CONTINGENCIES

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 on April 2019 and May 2019, respectively. Given the lack of information presented by the plaintiffs to date, the Company is unable to predict the outcome of these matters and, at this time, cannot reasonably estimate the possible loss or range of loss with respect to these legal proceedings.

As of September 30, 2020, the Company has not accrued for a potential loss for these actions. Given the information received to date, the Company intends to vigorously contest these lawsuits as they are in the early stages and progressed minimally in 2020. With respect to legal costs, we record such costs as incurred.

Note 11. SUBSEQUENT EVENTS

The Company evaluated subsequent events through November 18, 2020, the date on which the September 30, 2020 unaudited condensed financial statements were originally issued. There are no significant events that require disclosure in these financial statements, except as follows:

Series C Stock

On November 17, 2020, the Company finalized the closing of the stock exchange with certain holders of its Series B Convertible Preferred Stock to exchange all the Series B Stock for 20,150.1153 shares of Series C Stock. Each share of Series C Stock has a stated value equal to $1,000 and is convertible into Common Stock on a fixed basis at a conversion price of $0.0001 per share.

Term Loan and Security Agreement Extension

On November 10, 2020, the Company received a written notice from Sabby Healthcare Master Fund, LTD and Sabby Volatility Warrant Master Fund, LTD ("collectively, the Lender") agreeing to the requested extension for the term loan and security agreement (the "Loan") that matures on November 16, 2020. The loan extension matures on January 16, 2021 and it bears interest at a rate of 5% per annum, payable monthly commencing on the first day of the first month following the acceptance date of the extension.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF CONDENSED CONSOLDIATED 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"), The Vitamin Store, LLC, Healthy U Wholesale, Inc., The Vape Store, Inc. ("Vape Store"), Vaporin, Inc. ("Vaporin"), Smoke Anywhere U.S.A., Inc. ("Smoke"), Emagine the Vape Store, LLC ("Emagine"), IVGI Acquisition, Inc., Vapormax Franchising LLC, Vaporin LLC, and Vaporin Florida, Inc. . All intercompany accounts and transactions have been eliminated in consolidation.

Company Overview

Healthier Choices Management Corp. (collectively, the "Company", "we", "us" and "our") is a holding company focused on providing consumers with healthier daily choices with respect to nutrition and other lifestyle alternatives. The Company currently operates nine retail vape stores in the Southeast region of the United States, through which it offers e-liquids, vaporizers and related products. The Company markets its Q-Cup™ technology under the vape segment. 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. In October 2019, the Company announced the launch of the Q-Unit, a U.S. patented device made specifically for vaping concentrates. The Q-Unit, which boasts a mechanism that prevents the concentrates from coming in direct contact with the heating element, allows consumers to vape uncut pure extract from a pure quartz cup. The Company also operates Ada's Natural Market, a natural and organic grocery store, through its wholly owned subsidiary Healthy Choice Markets, Inc. and Paradise Health and Nutrition, stores that 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 through its wholly owned subsidiary Healthy Choice Markets 2, LLC.

Going Concern and 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 $2.8 million for the nine months ended September 30, 2020. As of September 30, 2020, cash and cash equivalents totaled approximately $0.6 million. The Company expects to continue incurring losses for the foreseeable future and we anticipate that our current cash and cash equivalents to be generated from operations will not be sufficient to cover our projected operating expenses for the foreseeable future. Management believes these conditions raises substantial doubt about the Company's ability to continue as a going concern within a year and a day from the issuance of these consolidated financial statements. Should we require additional funds (either through equity or debt financing, collaborative agreements or from other sources) we have no commitments to obtain such additional financing, and we may not be able to obtain any such additional financing on terms favorable to us, or at all. The inability to raise additional financing may have a material adverse effect on the future performance of the Company.

Factors Affecting Our Performance

We believe the following factors affect our performance:

Vapor Retail: We believe the operating performance of our vapor retail stores will affect our revenue and financial performance. The Company has a total of nine retail vape stores, which are located in Florida, Georgia and Tennessee.

Inventory Management: Our vapor segment revenue trends are affected by an evolving product acceptance and consumer demand. We are creating and offering new products to our retail vapor customers. Evolving product development and technology impacts our licensing and intellectual properties spending. We expect the transition to vaporizer and advanced technology and enhanced performance products to continue and will impact our overall operating results in the future.

Increased Competition: The launch by national competitors in both of our business reporting segments have made it more difficult to compete on prices and to secure business. We expect increased product supply and downward pressure on prices to continue and impact our operating results in the future. We also expect the continued expansion of national grocery chains, which leads to greater competition, to 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, 2020 and 2019 that is used in the following discussions of our results of operations:

	Three Months Ended September 30,		2020 to 2019
	2020	2019	Change $
SALES			
Vapor sales, net	$ **594,145**	$ 898,229	$ (304,084)
Grocery sales, net	**2,753,648**	2,520,101	233,547
TOTAL SALES, NET	**3,347,793**	3,418,330	(70,537)
Cost of sales vapor	**256,461**	385,208	(128,747)
Cost of sales grocery	**1,729,213**	1,629,980	99,233
GROSS PROFIT	**1,362,119**	1,403,142	(41,023)
OPERATING EXPENSES			
Selling, general and administrative	**2,195,275**	2,532,505	(337,230)
Impairment of intangible assets	**380,646**	-	380,646
Total operating expenses	**2,575,921**	2,532,505	43,416
LOSS FROM OPERATIONS	**(1,213,802)**	(1,129,363)	(84,439)
OTHER INCOME (EXPENSE)			
Gain (loss) on investment	**(2,571)**	(12,514)	9,943
Other Income (expense)	**-**	(146)	146
Interest income (expense)	**(84,592)**	(8,280)	(76,312)
Total other income (expense), net	**(87,163)**	(20,940)	(66,223)
NET LOSS	$ **(1,300,965)**	$ (1,150,303)	$ (150,662)

Net Vapor sales decreased $0.3 million to $0.6 million for the three months ended September 30, 2020 as compared to $0.9 million for the same period in 2019. The decrease in sales is primarily due to a major decreased in foot traffic or temporary closure of some stores a result of the Coronavirus (COVID-19) pandemic during the three months ended September 30, 2020 as compared to the same period in 2019.

Net Grocery sales increased $0.2 million to $2.8 million for the three months ended September 30, 2020 as compared to $2.5 million for the same period in 2019. The increase in sales is primarily due to COVID-19 pandemic and the company new strategy to offer its customer the option to delivery or curb side pickup their orders.

Vapor cost of goods sold for the three months ended September 30, 2020 and 2019 were $0.3 million and $0.4 million, respectively, a decreased of $0.1 million. The decrease is primarily due to decreases in product costs during three months ended September 30, 2020 as compared to the same period in 2019. Gross profit was $0.3 million and $0.5 million for three months ended September 30, 2020 and 2019, respectively.

Grocery cost of goods sold for the three months ended September 30, 2020 and 2019 were $1.7 million and $1.6 million respectively, an increased of $99,000. The increase is primarily due to increases in sales and cost of goods sold from the COVID-19 pandemic. Gross profit was $1.0 million and $0.9 million for the three months ended September 30, 2020 and 2019, respectively.

Total operating expenses increased $43,000 to $2.6 million for the three months ended September 30, 2020 compared to $2.5 million for the same period in 2019. The increase is primarily attributable to an impairment of intangible assets of $0.4 million, offset by ,decreases in payroll and employee related cost of $0.1 million, stock compensation of $0.1 million, insurance of $43,000, meals, meals, travel and entertainment of $30,000, and occupancy of $9,000.

Net other expense of $87,000 for the three months ended September 30, 2020 includes interest expense of $85,000, and loss on investment of $3,000. Net other expense of $21,000 for the three months ended September 30, 2019 includes a loss on investment of $13,000, partially offset by interest income of $8,000.

The following table sets forth our unaudited consolidated Statements of Operations for the nine months ended September 30, 2020 and 2019 that is used in the following discussions of our results of operations:

	Nine Months Ended September 30,		2020 to 2019
	2020	2019	Change $
SALES			
Vapor sales, net	$ **1,888,480**	$ 3,207,530	$ (1,319,050)
Grocery sales, net	**8,804,397**	8,407,919	396,478
TOTAL SALES, NET	**10,692,877**	11,615,449	(922,572)
Cost of sales vapor	**787,998**	1,337,555	(549,557)
Cost of sales grocery	**5,461,574**	5,309,567	152,007
GROSS PROFIT	**4,443,305**	4,968,327	(525,022)
OPERATING EXPENSES			
Selling, general and administrative	**6,735,815**	8,057,452	(1,321,637)
Impairment of intangible assets	**380,646**	-	380,646
Total operating expenses	**7,116,461**	8,057,452	(940,991)
LOSS FROM OPERATIONS	**(2,673,156)**	(3,089,125)	415,969
OTHER INCOME (EXPENSE)			
Gain (loss) on investment	**(13,714)**	(57,514)	43,800
Other income (expense)	**(100)**	(838)	738
Interest income (expense)	**(123,969)**	(19,669)	(104,300)
Total other income (expense), net	**(137,783)**	(78,021)	(59,762)
NET LOSS	$ **(2,810,939)**	$ (3,167,146)	$ 356,207

Net Vapor sales decreased $1.3 million to $1.9 million for the nine months ended September 30, 2020 as compared to $3.2 million for the same period in 2019. The decrease in sales is primarily due to a major decreased in foot traffic or temporary closure of some stores a result of the Coronavirus (COVID-19) pandemic and a decrease in the number of stores open during the nine months ended September 30, 2020 as compared to the same period in 2019.

Net Grocery sales increased $0.4 million to $8.8 million for the nine months ended September 30, 2020 as compared to $8.4 million for the same period in 2019. The increase in sales is primarily due to COVID-19 pandemic and the company new strategy to offer its customer the option to delivery or curb side pickup their orders.

Vapor cost of goods sold for the nine months ended September 30, 2020 and 2019 were $0.8 million and $1.3 million, respectively, a decrease of $0.6 million. The decrease is primarily due to a decreased in sales and product cost. Gross profit was $1.1 million and $1.9 million for the nine months ended September 30, 2020 and 2019, respectively.

Grocery cost of goods sold for the nine months ended September 30, 2020 and 2019 were $5.5 million and $5.3 million, respectively, an increase of $0.2 million. The increase is primarily due to increases in sales and cost of goods sold from the COVID-19 pandemic. Gross profit was $3.3 million and $3.1 million for the nine months ended September 30, 2019 and 2019, respectively.

Total operating expenses decreased $0.9 million to $7.1 million for the nine months ended September 30, 2020 compared to $8.1 million for the same period in 2019. The decrease is primarily attributable to decreases in payroll and employee related cost of $0.6 million, stock-based compensation of $0.3 million, professional fees of $0.1 million, taxes, licenses & permits of $0.1 million, insurance of $0.1 million, and occupancy of $42,000, offset by an impairment of intangible assets of $0.4 million.

Net other expense of $0.1 million for the nine months ended September 30, 2020 was primarily due to an interest expense of $0.1 million, and a loss on investment of $14,000. Net other expense of $0.1 million for the nine months ended September 30, 2019 includes a loss on investment of 58,000, and interest expense of $20,000.

Liquidity and Capital Resources

	Nine Months Ended September 30,	
	2020	2019
Net cash used in operating activities	**$ (1,653,279)**	$ (2,854,769)
Net cash provided by (used in) investing activities	**(90,311)**	99,283
Net cash provided by financing activities	**3,206,574**	(56,783)
	$ 1,462,984	$ (2,812,269)

Our net cash used in operating activities of $1.7 million for the nine months ended September 30, 2020 resulted from a net loss of $2.8 million, and a net cash usage of $0.2 million from changes in operating assets and liabilities, offset by a non-cash adjustment of $0.9 million. Our net cash used in operating activities of $2.9 million for the nine months ended September 30, 2019 resulted from a net loss of $3.2 million and a net cash usage of $1.0 million from changes in operating assets and liabilities, offset by a non-cash adjustment of $1.3 million.

The net cash used in investing activities of $0.1 million for the nine months ended September 30, 2020 resulted from the issuance and collection of a note receivable, and purchases of a patent and property and equipment. The net cash provided by investing activities of $99,000 for the nine months ended September 30, 2019 resulted from payments received on the VPR Brands L.P. Note.

The net cash provided by financing activities of $3.2 million for the nine months ended September 30, 2020 is due to proceeds received from the Term Loan of $2.5 million and loan of payments of $(0.2) million on the loan payable. The net cash provided by financing activities of $0.1 million for the nine months ended September 30, 2019 is due to payments on the loan payable.

At September 30, 2020 and December 31, 2019, 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. The majority of our cash and cash equivalents are concentrated in three financial institutions and are generally in excess of the FDIC insurance limit. The Company has not experienced any losses on its cash and cash equivalents. The following table presents the Company's cash position as of September 30, 2020 and December 31, 2019.

	September 30, 2020	December 31, 2019
Cash	**$ 602,318**	$ 1,525,415
Total assets	**$ 14,362,822**	$ 14,006,669
Percentage of total assets	**4.19%**	10.89%

The Company reported a net loss of $2.8 million for the nine months ended September 30, 2020. The Company also had negative working capital of $4.2 million. The Company expects to continue incurring losses for the foreseeable future and may need to raise additional capital to satisfy warrant obligations, and to continue as a going concern.

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 2019 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 warrant exercises and stock sales, having the authorized capital to issue stock to exercising Series A Warrant holders, 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

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, 2020 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.

In planning and performing its audit of our financial statements for the year ended December 31, 2019 in accordance with standards of the Public Company Accounting Oversight Board, our independent registered public accounting firm noted material weaknesses in internal control over financial reporting. A list of our material weaknesses are 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

- Weakness around our purchase orders and inventory write-off procedures

- Segregation of duties due to lack of personnel

During the second quarter of 2020, the Company's independent auditors identified a material weakness in our internal controls and procedures over the adoption of Accounting Standard Codification ("ASC") 230, Restricted cash. The material weakness in internal control over financial reporting resulted in a reclassification to the presentation of the Company's prior period financial statements. These reclassifications were done to conform to the presentation of the current financial statement and they had no effect on the previously reported net loss.

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, 2020 based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Changes in Internal Control over Financial Reporting

Following this assessment and during the nine months ended September 30, 2020, we have undertaken an action plan to strengthen internal controls and procedures:

- We continue to improve the process around inventory controls and throughout the current year, we are planning to perform a blind-counts for 100% of our overall inventory value with the purpose of validating our inventory records and increasing the staff knowledge around the importance of the new inventory procedures implemented. In addition, we are transitioning the independent third-party counts to a new company with the purposes of improving the accuracy of the quarterly and yearly counts perform for all retail stores. Due to the Coronavirus pandemic ("COVID-19") that started in early March 2020, the company was not able to conduct any independent third-party counts for the nine months ended September 30, 2020.

- Our management has increased 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.

Our management continues to review ways in which we can make improvements in 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 on April 2019 and May 2019, respectively. Given the lack of information presented by the plaintiffs to date, the Company is unable to predict the outcome of these matters and, at this time, cannot reasonably estimate the possible loss or range of loss with respect to these legal proceedings.

As of September 30, 2020, the Company has not accrued for a potential loss for these actions. Given the information received to date, the Company intends to vigorously contest these lawsuits as they are in the early stages and progressed minimally in 2020. 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 No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive Officer (906)				Furnished *
32.2	Certification of Principal Financial Officer (906)				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

* 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 17, 2020	By:	*/s/ Jeffrey Holman*
		Jeffrey Holman Chief Executive Officer
Date: November 17, 2020	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; and

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.

Date: November 17, 2020

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

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; and

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.

Date: November 17, 2020

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

Exhibit 32.1

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, 2020, 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 17, 2020

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

Exhibit 32.2

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, 2020, 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 17, 2020

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