FORM 8-K

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SIC: **5912** Drug stores and proprietary stores

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT 1934

Date of Report (Date of earliest event reported): April 4, 2014

HEALTHCARE CORPORATION OF AMERICA
(Exact name of registrant as specified in charter)

Delaware	000-54527	27-4563770
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
66 Ford Road Suite 230 Denville, NJ		07834
(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: (973) 983-6300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

Note Purchase Agreement

On April 4, 2014, Healthcare Corporation of America (the "Company") entered into a Note Purchase Agreement (the "Purchase Agreement") with the persons named therein (each a "Lender", and, collectively, the "Lenders") pursuant to which the Lenders loaned the Company $1,000,000 and the Company issued $1,000,000 in Secured Convertible Term Notes (the "Notes") to the Lenders. Selway Capital Holdings LLC, which loaned the Company $900,000 as a Lender, is 50% owned by Edmundo Gonzalez and Yaron Eitan, each of whom is one of our directors. The Notes:

(i) bear interest at the annual rate of eight percent (8%),

(ii) will be payable as to principal and interest on demand on April 2, 2015 (the "Maturity Date"), subject to acceleration upon an event of default, and

(iii) may be prepaid by the Company at any time prior to the maturity date.

Pursuant to the Security Agreement dated April 4, 2014 (the "Security Agreement"), the Company granted the Lenders a first priority security interest to all of the and assets of 340 Basics, Inc., a New Jersey corporation and a wholly-owned subsidiary of the Company ("340 Basics"). In addition, the Company granted the Lenders a second priority security interest in and to all other assets of the Borrower, including equity interests in all other subsidiaries. Such second priority security interest is subordinate only to the security interest of Partners for Growth III, L.P., the Company's senior lender.

The Company covenanted and agreed that:

(a) if, as of May 4, 2014, the Company has failed to secure at least $1,500,000 in a new financing (the "Next Financing Round"), such failure will constitute an event of default;

(b) if, as of May 4, 2014, the Company has secured at least $1,500,000 in a new financing, but less than $3,500,000, then the Company shall be entitled to an additional 30 days in which to secure an additional amount so that the aggregate amount raised totals $3,500,000;

(c) if, on or before expiration of such second 30 day period, the Company has failed to secure at least $3,500,000, such failure will constitute an event of default.

The Purchase Agreement specified other typical events of default including the failure to pay all principal and interest due under the Notes, the Company breaching the terms of any agreement entered into in connection with the Purchase Agreement, and the commencement of litigation against the Company alleging the failure to repay any material indebtedness.

Convertible Notes

The Notes are convertible into validly issued, fully paid and non-assessable shares of common stock of the Company ("Conversion Shares"). The number of Conversion Shares to be issued upon conversion of the Notes are equal to (x) the sum of the outstanding principal amount and/or accrued interest and fees due or accrued and payable under the Note (the "Conversion Amount") divided by (y) the lowest price per share offered for the securities sold in the Next Financing Round. At any time and from time to time holders may convert the Notes into common stock at the Conversion Price. In the event the Company fails to timely issue shares upon conversion of the Notes, it shall pay a penalty for each trading day such failure continues equal to 1% of the value of the shares it has failed to deliver based on the closing price of the common stock on the last day immediately preceding the day the Company could have timely delivered the shares. In addition, in the event the holder covers a net short position resulting from the Company's failure to timely convert the Notes, then the Company shall be required to compensate the holder in the form of cash or shares and cash. The Company also agreed to grant the holder the same registration rights as were granted in the December 31, 2013 Registration Rights Agreement, or any newer Registration Rights Agreement, if any.

In the event of a default, the Company is required to pay additional interest at a rate of 2% per year.

The Notes provide for certain restrictive covenants of the Company, including prohibitions on: (i) incurring certain indebtedness; (ii) creation of certain liens; (iii) making of certain payments; (iv) redemption or cash dividends on Company capital stock; and (v) restrictions on certain asset transfers; (vi) certain changes in the business of the Company.

Warrants

In connection with the issuance of the Notes under the Purchase Agreement, on April 4, 2014 the Company issued warrants to purchase an aggregate of 2,000,000 shares of its common stock, (the "Warrants"). The term of the Warrants is five (5) years. The exercise price of the Warrants will be equal to the lowest of the following: (i) the price of common equity sold in the Next Financing Round, (ii) the conversion price of a convertible note raised after the Next Financing Round, or (iii) the exercise price of warrants issued in the Next Financing Round. The Warrants may also be exercised on a cashless basis. The Company also agreed to grant the holder the same registration rights as were granted in the December 31, 2013 Registration Rights Agreement, or any newer Registration Rights Agreement, if any.

Security Agreement and Subsidiary Guarantees

The Company and 340 Basics entered into a Security Agreement with the agent of the Lenders pursuant to which the Company and 340 Basics agreed to (i) secure the payment of all obligations under the Notes by granting and pledging to the agent a continuing first security interest in all of the assets of 340 Basics and the shares of 340 Basics owned by the Company, and (ii) a continuing second priority security interest in all of the other assets of the Company .

In addition 340 Basics executed a continuing and Unconditional Guarantee of the Company's obligations under the Notes.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

A description of the terms of the Notes and Purchase Agreement and related obligations entered into on April 4, 2014 by and among the Company, 340 Basics and the Lenders, is summarized in Item 1.01 to this report, which is incorporated by reference into this Item.

Item 3.02 Unregistered Sales of Equity Securities

In connection with the issuance of the Notes under the Purchase Agreement, on April 4, 2014 the Company issued:

- Warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock. The term of the Warrants is five (5) years. The exercise price of the Warrants will be equal to the lowest of the following: (i) the price of common equity sold in the Next Financing Round, (ii) the conversion price of a convertible note raised after the Next Financing Round, or (iii) the exercise price of warrants issued in the Next Financing Round. The Warrants may also be exercised on a cashless basis.

- Notes convertible into validly issued, fully paid and non-assessable shares of common stock of the Company ("Conversion Shares"). The number of Conversion Shares to be issued upon conversion of the Notes are equal to (x) the sum of the outstanding principal amount and/or accrued interest and fees due or accrued and payable under the Note (the "Conversion Amount") divided by (y) the lowest price per share offered for the securities sold in the Next Financing Round.

Each of the securities were issued in connection with transactions not involving a public offering.

Item 9.01 Financial Statements and Exhibits

Exhibit	Description
4.1	Note Purchase Agreement dated April 4, 2014
4.2	Form of Secured Convertible Term Notes
4.3	Form of Warrant
4.4	Security Agreement dated April 4, 2014
4.5	Continuing and Unconditional Guarantee dated April 4, 2014

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 hereunto duly authorized.

HEALTHCARE CORPORATION OF AMERICA

Dated: April 4, 2014

By: /s/ Yoram Bibring
Name: Yoram Bibring
Title: Chief Financial Officer

NOTE PURCHASE AGREEMENT

This NOTE PURCHASE AGREEMENT (including all exhibits hereto, this "Purchase Agreement"), is entered into as of April 4, 2014, by Healthcare Corporation of America, a Delaware corporation (the "Company" or the "Borrower"), and the Noteholders listed on Exhibit A (the "Noteholders").

RECITALS

The Company wishes to sell and each Noteholder wishes to purchase a secured Note, substantially in the form attached as Exhibit B (the "Note"), of the Company on the terms, and subject to the conditions, contained in this Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the parties hereto agree as follows:

1. **Issuance of Note**.

(a) Subject to the terms and conditions set forth in this Agreement, at the closing of this Purchase Agreement (the "Closing"), the Company shall issue the Notes in the respective principal amounts listed on Exhibit A to the Noteholders in consideration of, and as an inducement to, each Noteholder's respective payment of such amounts to the Company. The aggregate amount of principal under the Notes is One Million United States Dollars ($1,000,000) (payable in two (2) installments as agreed by the parties).

(b) Each Note:

(i) will bear interest at the annual rate of eight percent (8%),

(ii) will be payable as to principal and interest on demand on April 2, 2015 ("Maturity Date"), subject to acceleration upon Event of Default, and

(iii) will be subject to the further terms and provisions set forth in this Purchase Agreement.

(c) The delivery of each executed Note to each Noteholder as well as all agreements, instruments and ancillary documents referenced therein (the "Closing") is taking place simultaneously with the execution and delivery of this Purchase Agreement (the "Closing Date").

(d) The Company will use the proceeds of the Notes for the Company's ongoing operations.

2. **Interest**. The Company shall pay interest on the whole amount of the principal sum outstanding under the Note, commencing from the date hereof and continuing until payment in full of this Note, at the annual rate of eight percent (8%).

3. **Prepayment**. The Company may prepay the principal and all accrued interest due under the Notes at any time prior to the Maturity Date, in reasonable payments not to be less than $100,000. Payments will be applied *pro rata* to each Note, and will be applied first to interest and then to principal outstanding under each Note, in accordance with the terms of the Note. For the sake of clarity, the security interest and guaranty described in Section 4 and 5, respectively, herein, shall remain in effect until full repayment of all accrued amounts, notwithstanding any prepayment.

4. **Security**. To secure the timely payment and performance by the Company of its obligations under this Purchase Agreement and the Note, the Company hereby assigns, pledges and grants to the Noteholders, for their ratable benefit, the following collateral (the "Collateral"):

4.1 A continuing first priority security interest in and to all of the shares (the "340 Basics Shares") and assets of 340 Basics, Inc. a New Jersey corporation and a wholly-owned subsidiary of the Company ("340 Basics"). Such security interest will be subject to the terms of a Security Agreement dated as of the date of this Purchase Agreement, to be executed by Selway Capital Holdings LLC on behalf of all of the Noteholders (the "Security Agreement", and together with the Note, Warrant, Guaranty, Junior Subordination Agreement, Senior Subordination Agreement and other ancillary documents, collectively referred to as the "Loan Documents"). The Company is delivering to the Noteholders the stock certificate or certificates representing the 340 Basics Shares, together with a stock power in blank.

4.2 A continuing second priority security interest in and to all other assets of the Borrower, including equity interests in all other subsidiaries. Such second priority security interest will be subordinate only to the security interest of Partners for Growth III, L.P., a Delaware limited partnership, as further set forth in the Senior Lender Subordination Agreement to be entered into by and between Partners for Growth III, L.P., the Borrower and the Noteholders (or on their behalf) in connection with the transactions contemplated herein (the "Senior Lender Subordination Agreement").

4.3 The Company will provide all requested assistance to the Noteholders to perfect the Noteholders' security interest in the Collateral by the filing of financing statements or any other means reasonably requested by the Noteholders. In connection with the perfection of the security interest set forth in Section 4.1 hereinabove, the Company, the Noteholders (or on their behalf) and certain previous holders of convertible notes shall enter into a junior lender subordination agreement (the "Junior Lender Subordination Agreement").

4.4 The Company and 340 Basics shall mark their respective books and records as may be necessary or appropriate to evidence, protect and perfect the Noteholders' security interest and shall make any public filings or take any other action necessary or advisable to reflect such security interest.

5. **Guaranty**. On the Closing Date, 340 Basics is delivering a guaranty (the "Guaranty") of the Company's obligations under the Notes. The Guaranty is an absolute guaranty of payment and not of collection.

6. **Next Financing Round**.

6.1 As of the Effective Date, the Company is in the process of raising up to Five Million Five Hundred Thousand Dollars ($5,500,000) from investors (the "Next Financing Round"). These investors may purchase debt, equity and/or derivatives from the Company (the "Next Round Securities").

6.2 The Company makes the following covenants with respect to the Next Financing Round:

(a) if, as of the date which is thirty (30) days after the Closing Date, the Company has failed to secure at least One Million Five Hundred Thousand Dollars ($1,500,000), such failure will constitute an Event of Default (as defined in Section 7 of this Agreement);

(b) if, as of the date which is thirty (30) days after the Closing Date, the Company has secured at least One Million Five Hundred Thousand Dollars ($1,500,000), but less than Three Million Five Hundred Thousand Dollars ($3,500,000), then the Company shall be entitled to an additional thirty (30) days in which to raise an aggregate of at least Three Million Five Hundred Thousand Dollars ($3,500,000);

(c) if, on or before expiration of such second thirty (30) day period, the Company has failed to secure at least Three Million Five Hundred Thousand Dollars ($3,500,000), such failure will constitute an Event of Default.

7. **Warrants**.

7.1 Simultaneously with the execution and delivery of this Purchase Agreement, the Company is issuing in favor of the Noteholders warrants to purchase an aggregate of Two Million (2,000,000) shares of Common Stock, subject to stock split, upon the terms and conditions hereinafter set forth, pursuant to a Warrant dated as of the date of this Purchase Agreement and issued by the Company (the "Warrants"). The term of the Warrants is five (5) years.

7.2 The exercise price of the Warrants is equal to the lowest of the following: (i) the price of common equity of the Next Round Securities (as defined below), (ii) the conversion price of a convertible note raised after the Next Financing Round (as defined below), or (iii) the exercise price of warrants which make up part of the package of the Next Round Securities.

8. **Events of Default**.

8.1 The following shall constitute events of default (individually an "Event of Default"):

(a) the Events of Default described in Section 6 above;

(b) default in the payment in full of all principal and interest due under the Notes on or before the Maturity Date, or inability of the Borrower to pay any of its debts or liabilities as they fall due;

(c) filing of a petition in bankruptcy or the commencement of any proceedings under any bankruptcy laws by or against the Company, which filing or proceeding, is not dismissed within sixty (60) days after the filing or commencement thereof, or if the Company shall cease or suspend the conduct of its usual business or if the Company shall become, or in light of its usual business conditions is likely to become, insolvent and is unable to pay its debts when due;

(d) failure of the Company to comply in any way with the terms, covenants or conditions contained in the Notes or in this Purchase Agreement, or breach by the Company of any material representation or warranty contained in the Notes or in this Purchase Agreement;

(e) commencement of actions, suits or proceedings at law or in equity against the Company alleging failure to repay any material indebtedness; and

(f) the Events of Default described in Section 6 of the Security Agreement.

8.2 If at any time, an Event of Default shall occur, all obligations under the Notes shall become immediately due and payable without presentment, demand or protest, all of which are hereby waived by the Company. Upon occurrence of an Event of Default:

(a) The Noteholders may, in their discretion, take ownership of the 340 Basics Shares, ratably in accordance with the principal amount of each Note. Thereafter, the Noteholders shall have and exercise all rights of a holder of the 340 Basics Shares under this Purchase Agreement and the other Loan Documents. Such rights include, without limitation, the right to vote the 340 Basics Shares in any manner the respective Noteholder deems advisable, the right to dividends declared on the 340 Basics Shares, and the right to transfer, encumber, or otherwise dispose of the 340 Basics Shares in such Noteholder's sole discretion, except as limited by applicable securities or other laws; and

(b) The Noteholders shall have and may exercise all other rights under law and equity to the Collateral, subject to the first priority security interest of Partners for Growth III, L.P., a Delaware limited partnership. Such rights and remedies shall be cumulative.

8. **Optional Conversion**. The Noteholders, in their sole discretion, may elect at any time to convert part or all of the amounts due under the Notes, including principal and interest, into the Next Round Security on terms that are identical to those of the Next Round Securities.

9. **Representations and Warranties**. The Company represents and warrants to the Noteholders as follows:

9.1 The 340 Basics Shares constitute all of the outstanding and issued shares of 340 Basics. The 340 Basics Shares have been duly and validly authorized and issued and are fully paid and non-assessable and have been sold and delivered to the holders thereof in compliance with, or under valid exemption from, all applicable federal and state laws and rules and regulations. There are no subscriptions, warrants, options, calls, commitments, rights or agreement by which 340 Basics is bound relating to the issuance, transfer, voting or redemption of the 340 Basics Shares or any pre-emptive rights held by any person with respect to the 340 Basics Shares.

9.2 None of the 340 Basics Shares is registered or qualified under the various federal or state securities laws of the United States. None of the 340 Basics Shares has been issued or transferred in violation of any securities registration, securities disclosure, or similar laws of any jurisdiction to which such issuance or transfer may be subject.

9.3 Each of the Company and 340 Basics is duly organized and existing in good standing under the laws of the State of Delaware, is duly qualified as a foreign corporation and authorized to do business in all jurisdictions in which the nature of its business or property makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the business of the Company, and has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted.

9.4 The Company has full power, authority and legal right to enter into this Purchase Agreement and the other Loan Documents and to perform all its obligations thereunder. The Company has duly executed and delivered this Purchase Agreement and the other Loan Documents. This Purchase Agreement and the other Loan Documents constitute the legal, valid and binding obligation of the Company enforceable in accordance with their respective terms.

9.5 The execution, delivery and performance of this Purchase Agreement and of the other Loan Documents:

(a) are within the Company's corporate powers, as applicable, have been duly authorized by all necessary corporate action, are not in contravention of law or the terms of the Company's certificate of Incorporation, By-laws, or other organizational documents, or to the conduct of the Company's business or of any material contract or undertaking to which the Company is a party or by which the Company is bound;

(b) will not conflict with or violate any law or regulation, or any judgment, order or decree of any governmental body;

(c) will not require the consent of any governmental body, any party to a contract or any other person or entity; and

(d) will not conflict with, nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any lien upon any asset of the Company under the provisions of any agreement, instrument, or other document to which the Company is a party or by which it or its property is a party or by which it may be bound, except for the consent of Partners for Growth III, L.P., a Delaware limited partnership, which the Company has obtained.

9.6 There is no litigation pending or, to the Company's knowledge, threatened against the Company.

9.7 The Company has paid in full all federal, state, local and foreign taxes and assessments and has timely filed all tax returns. No tax audit is pending or, to the Company's knowledge, threatened against the Company.

9.8 No representation or warranty made by the Company in this Purchase Agreement or in any other Loan Document contains any untrue statement of fact or omits to state any fact necessary to make the statements herein or therein not misleading. There is no fact known to the Company or which reasonably should be known to the Company which the Company has not disclosed to the Noteholders in writing with respect to the transactions contemplated by this Purchase Agreement.

10. **Representations of the Noteholder**. Each Noteholder represents and warrants to the Company that:

10.1 The Noteholder has sufficient knowledge and experience in investing in companies similar to the Company in terms of the Company's stage of development so as to be able to evaluate the risks and merits of its investment in the Company and it is able financially to bear the risks thereof;

10.2 The Noteholder has had an opportunity to discuss the Company, business, management and financial affairs with the Company's management and has received (or had made available to the Noteholder) any financial and business documents requested and believes the material and information provided is sufficient to permit making an informed decision regarding this Purchase Agreement and the other Loan Documents;

10.3 The Noteholder is entering into this Purchase Agreement and acquiring the Note for the Noteholder's own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof other than in compliance with the Securities Act and applicable state securities laws; and

10.4 The Noteholder understands that (i) the Note has not been registered under the Securities Act by reason of its issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof or Rule 504, 505 or 506 promulgated under the Securities Act, (ii) this Note must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, and (iii) this Note will bear a legend substantially to such effect.

10.5 The Noteholder is an accredited investor within the meaning of Regulation D under the Securities Act.

10.6 The Noteholder expressly understands and agrees that its security interests set forth in Section 4.2 are subject to the rights of Partners for Growth III, L.P., as further set forth in the Senior Lender Subordination Agreement.

11. Governing Law; Jurisdiction. This Purchase Agreement and each other Loan Document (unless and except to the extent expressly provided otherwise in any such other Loan Document), and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflict of laws principles thereof. Any judicial proceeding under this Purchase Agreement or any other Loan Document may be brought in any court of competent jurisdiction in the County of New York, State of New York. The Company accepts for itself and in connection with its properties, generally and unconditionally, the jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Purchase Agreement or any other Loan Document.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13. Amendments and Waivers. This Agreement may not be amended or modified, and no provisions hereof may be waived, without the written consent of the Company and the Noteholders.

14. Notice. Any notice or request hereunder may be given to the Company or any Noteholder at their respective addresses set forth below or at such other address as may hereafter be specified in a notice delivered in accordance with this Section. Any notice, request, demand, direction or other communication (a "Notice") to be given to or made upon any party hereto under any provision of this Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., "e-mail") or facsimile transmission. Any Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth below. "Business Day" means a day other than a Saturday, Sunday, or federal or New York state holiday. Any Notice shall be effective:

(a) In the case of hand delivery, when delivered;

(b) If given by mail, four (4) days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission (with confirmation of delivery) or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day);

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of delivery;

(e) In the case of electronic transmission, when transmitted, if transmitted on a Business Day, or upon commencement of the next succeeding Business Day, provided that the party sending such Notice receives confirmation of delivery;

(f) If given by any other means (including by overnight courier), when actually received.

If to the Company:

Healthcare Corporation of America
66 Ford Road, Suite 230
Denville, NJ 07834
Attention: _____
(e-mail)
(fax)

If to the Noteholders:

As set forth in Exhibit A.

[signature page to follow]

IN WITNESS WHEREOF, the Company and the Noteholders have executed this Agreement as of the day and year first above written.

COMPANY: HEALTHCARE CORPORATION OF AMERICA

By: _____

Name: _____

Title: _____

NOTEHOLDERS:

SELWAY CAPITAL HOLDINGS LLC

By: _____

Name: _____

Title: _____

CHARDAN CAPITAL MARKETS LLC

By: _____

Name: _____

Title: _____

[INSERT]

By: _____

Name: _____

Title: _____

Exhibit A

Noteholders and Respective Note Amounts

Name	Address	Note Amount
Selway Capital Holdings LLC	900 Third Avenue, 19th floor New York, NY 10022 With a copy to: Pearl Cohen Zedek Latzer Baratz LLP 1500 Broadway New York, NY 10036 Attn: Oded Kadosh, Esq. (e-mail) okadosh@pearlcohen.com (fax) (646) 878-0838	$900,000
Chardan Capital Markets LLC	17 State Street, Suite 1600 New York, NY 10004 Attention: Kerry Propper	$50,000
Evan Genack		$50,000

THIS NOTE AND THE CONVERSION SHARES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THIS NOTE AND THE CONVERSION SHARES ISSUABLE UPON CONVERSION OF THIS NOTE MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS NOTE UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR (B) AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

SECURED CONVERTIBLE TERM NOTE

FOR VALUE RECEIVED, HEALTHCARE CORPORATION OF AMERICA, a Delaware corporation (the "**Company**") hereby promises to pay to [_____] (the "**Holder**") or its registered assigns or successors in interest, the sum of [_____] ($[_____]) (the "**Original Principal Amount**"), plus all PIK Amounts (as hereinafter defined) added to the principal amount hereof pursuant to the terms of this Note (as hereinafter defined), together with any accrued and unpaid interest hereon and any and all other sums due, accrued or payable to the Holder arising under this Note, the Purchase Agreement or any other agreements and ancillary documents in respect thereof, including without limitation, the Security Agreement, the Guaranty, and related subordination agreements (collectively, the "**Related Agreements**"), on April 2, 2015 (the "**Maturity Date**"), if not sooner indefeasibly paid in full.

This Secured Convertible Note (including all Secured Convertible Notes issued in exchange, transfer or replacement hereof, this "**Note**") is one of an issue of Secured Convertible Notes issued pursuant to the Purchase Agreement (as defined below) on the Closing Date (as defined below) (collectively, the "**Note**," and such other Secured Convertible Notes in connection with the Purchase Agreement, the "**other Notes**"). Certain capitalized terms used herein are defined in Section 5.15, and others used herein without definition shall have the meanings ascribed to such terms in that certain Purchase Agreement dated as of the date hereof (as amended, restated, modified and/or supplemented from time to time, the "**Purchase Agreement**") among the Company, the Holder and each other Purchaser (collectively, the "**Creditor Parties**"), as well as the Security Agreement entered into in connection herewith by the Company, the Holder (or on its behalf), and the Subsidiary of the Company, 340 Basics, Inc (the "**Security Agreement**"), as well as the Guaranty entered into by 340 Basics, Inc. in respect of the Company's obligations under the Purchase Agreement (the "**Guaranty**").

1 **INTEREST; CONVERSION; PREPAYMENT**

1.1 *Interest*. Unless otherwise provided herein, interest payable on the outstanding principal amount of this Note, including all PIK Amounts added thereto through such time (the "**Accreted Principal Amount**") shall accrue at a rate per annum equal to eight percent (8%). Accrued and unpaid interest shall be payable in arrears on the first day of each month (each, an "**Interest Payment Date**") and shall be payable in cash; provided, however, at the election of the Company, any portion of the interest due and payable on an Interest Payment Date may be paid by adding the amount of such interest due to the then outstanding Accreted Principal Amount (such capitalized Interest, a "**PIK Amount**"). Interest on this Note shall accrue from the date of issuance until repayment of the Accreted Principal Amount and payment of all accrued interest in full. Interest shall accrue and be computed on the basis of the actual number of days in the related period over 360 days.

1.2 *Optional Redemption by the Company*. The Company may prepay this Note or a portion thereof (the "**Optional Redemption**") by paying to the Holders, in aggregate, a sum of money equal to at least one hundred thousand dollars ($100,000) out of the Accreted Principal Amount outstanding at such time together with accrued but unpaid interest thereon and any and all other sums due, accrued or payable to the Holder arising under this Note, the Purchase Agreement or any other Related Agreement (the "**Redemption Amount**") outstanding on the Redemption Payment Date (as defined below). The Company shall deliver to the Holder a written notice of redemption (the "**Notice of Redemption**") specifying the date for such Optional Redemption (the "**Redemption Payment Date**"), which date shall be not less than thirty (30) days after the date of the Notice of Redemption (the "**Redemption Period**"). On the Redemption Payment Date, the Redemption Amount must be paid in good funds to the Holder. In the event the Company fails to pay the Redemption Amount on the Redemption Payment Date as set forth herein, then such Redemption Notice will be null and void. If other Notes are outstanding and the Company elects to make an Optional Redemption, then the Company shall pay the Redemption Amount outstanding on all such other Notes on a pro rata basis.

1.3 *Optional Conversion by the Holder*.

(a) *Conversion.* The Holder may elect to convert this Note into validly issued, fully paid and non-assessable shares of Common Stock of the Company ("**Conversion Shares**"). The number of Conversion Shares to be received by any Holder in connection with such conversion shall be an amount, as may be adjusted pursuant to Section 1.6 of this Note, determined by dividing (x) the sum of the outstanding Accreted Principal Amount and/or accrued interest and fees due or accrued and payable to such Holder arising under this Note (the "**Conversion Amount**") by (y) lowest price per share offered for the Next Round Securities (as defined in the Purchase Agreement) (the "**Conversion Price**"). The Holder shall have the right, but not the obligation, to convert all or part of the issued and outstanding Accreted Principal Amount and/or accrued interest and fees due and payable into Conversion Shares at the Conversion Price, at any time from time to time while this Note is outstanding following notice of the Next Financing Round (as defined in the Purchase Agreement), upon two business days' notice, elect to convert this Note into Conversion Shares. In the event that the Holder elects to convert this Note into Conversion Shares, the Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 5:30 p.m., New York time, on any Trading Day, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the "**Conversion Notice**") to the Company. A Conversion Notice delivered after such time or on a non-Trading Day shall be deemed to have been delivered on the following Trading Day. If required by Section 1.3(c), within three (3) Trading Days following a conversion of this Note as aforesaid, the Holder shall surrender this Note to a nationally recognized overnight delivery service for delivery to the Company. On or before the first (1st) Trading Day following the date of receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall transmit by facsimile an acknowledgment of confirmation, in the form attached hereto as Exhibit II, of receipt of such Conversion Notice to the Holder and the Company's transfer agent (the "**Transfer Agent**") and shall promptly instruct and otherwise use its reasonable best efforts to cause the Transfer Agent to complete the following actions on or before the second (2nd) Trading Day following the date of receipt of a Conversion Notice (whether via facsimile or otherwise): (1) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program and provided that the shares issued pursuant to such exercise have been sold pursuant to a bona fide sale under Rule 144, a registration statement or an exemption from registration, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant tosuch exercise to the Holder's designee's balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) issue and deliver (via reputable overnight courier) to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled. If this Note is physically surrendered for conversion pursuant to Section 1.3(c) and the outstanding Accreted Principal Amount of this Note is greater than the Accreted Principal Amount portion of the Conversion Amount being converted, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder (or its designee) a new Note (in accordance with Section 1.3(c) representing the outstanding Accreted Principal Amount not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. The Holder shall be treated for all purposes as the record holder of the Conversion Shares unless the Holder provides the Company written instructions to the contrary.

(b) *Company's Failure to Timely Convert*. If the Company shall fail, for any reason or for no reason, on the first (1st) Trading Day immediately following the Company's receipt of a Conversion Notice (whether via facsimile or otherwise) from a Holder, to give notice to and instruct, and otherwise use the Company's reasonable best efforts to cause, the Transfer Agent to thereafter promptly issue to such Holder a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's or its designee's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion of any Conversion Amount (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to the Holder, the Holder may declare the Company to be in default under this Note. Furthermore, (1) the Company shall pay in cash to the Holder on each Trading Day after such third (3rd) Trading Day that the issuance of such shares of Common Stock is not timely effected an amount equal to 1% of the product of (A) the sum of the number of shares of Common Stock not issued to the Holder on a timely basis and to which the Holder is entitled multiplied by (B) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the last possible date which the Company could have issued such shares of Common Stock to the Holder without violating Sections 1.3(a) and (b) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any portion of this Note that has not been converted pursuant to such Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 1.3(b) or otherwise. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall fail to issue and deliver a certificate to the Holder and register such shares of Common Stock on the Company's share register or credit the Holder's designee's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be), and if on or after such third (3rd) Trading Day the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such conversion that the Holder so anticipated receiving from the Company, then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate or credit the Holder's designee's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to the Holder a certificate or certificates representing such shares of Common Stock for the number of shares of Common Stock or credit the Holder's designee's balance account with DTC to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock multiplied by (B) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Conversion Notice and ending on the date of such issuance and payment under this Section 1.3.

(c) *Registration; Book-Entry*. The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the holders of each Note and the Accreted Principal Amount of the Notes held by such holders (the "**Registered Notes**"). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and the holders of the Notes shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes (including, without limitation, the right to receive payments hereunder, including payments of Accreted Principal Amount and interest) notwithstanding notice to the contrary. A Registered Note may be assigned, transferred or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a request to assign, transfer or sell all or part of any Registered Note by the holder thereof, the Company shall record the information contained therein in the Register and issue one or more new Registered Notes in the same aggregate Accreted Principal Amount as the Accreted Principal Amount of the surrendered Registered Note to the designated assignee or transferee pursuant to Article IV, provided that if the Company does not so record an assignment, transfer or sale (as the case may be) of all or part of any Registered Note within two (2) Business Days of such a request, then the Register shall be automatically updated to reflect such assignment, transfer or sale (as the case may be). Notwithstanding anything to the contrary set forth in this Article I, following conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted (in which event this Note shall be delivered to the Company following conversion thereof) or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Accreted Principal Amount, interest and default interest converted and/or paid (as the case may be) and the dates of such conversions and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon partial conversion.

1.4 *Pro Rata Conversion; Disputes*. In the event that the Company receives a Conversion Notice from more than one holder of Notes for the same Conversion Date and the Company can convert some, but not all, of such portions of the Notes submitted for conversion, the Company shall convert from each holder of Notes electing to have Notes converted on such date a pro rata amount of such holder's portion of its Notes submitted for conversion based on the Accreted Principal Amount of Notes submitted for conversion on such date by such holder relative to the aggregate Accreted Principal Amount of all Notes submitted for conversion on such date. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, the Company shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 5.10.

1.5 *Fractional Shares*. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

1.6 *Adjustment Provisions*. Reserved.

1.7 *Rights upon Fundamental Transaction*. Reserved.

1.8 *Reservation of Shares*. The Company shall in connection with the Next Financing Round (as defined in the Purchase Agreement) reserve out of its authorized and unissued Common Stock a number of shares of Common Stock for each of the Notes equal to 125% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Notes as of the Issuance Date. So long as any of the Notes are outstanding, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Notes, 125% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Notes then outstanding, provided that at no time shall the number of shares of Common Stock so reserved be less than the number of shares required to be reserved by the previous sentence (the "**Required Reserve Amount**"). The initial number of shares of Common Stock reserved for conversions of the Notes and each increase in the number of shares so reserved shall be allocated pro rata among the holders of the Notes based on the original Accreted Principal Amount of the Notes held by each holder on the Closing Date or increase in the number of reserved shares (as the case may be) (the "**Authorized Share Allocation**"). In the event that a Holder shall sell or otherwise transfer any of such Holder's Notes, each transferee shall be allocated a pro rata portion of such Holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Notes shall be allocated to the remaining Holders of Notes, pro rata based on the Accreted Principal Amount of the Notes then held by such Holders.

1.9 *Insufficient Authorized Shares*. If, notwithstanding Section 1.8, and not in limitation thereof, at any time while any of the Notes remain outstanding the Company, and in connection with the Next Financing Round (as defined the Purchase Agreement), does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Notes at least a number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Notes then outstanding. Without limiting the generality of the foregoing sentence, to the extent required by law or the rules of the Eligible Market on which the Common Stock is traded or quoted, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, to the extent required by law or the rules of the Eligible Market on which the Common Stock is traded or quoted, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. Notwithstanding the foregoing, subject to applicable law and the rules of the Eligible Market, if the Company is able to increase its authorized share capital other than by a meeting no later than sixty (60) days after the occurrence of such Authorized Share Failure, it shall not be require to hold a meeting of its stockholders as provided in this Section 1.9.

1.10 *No Rights of Shareholder*. No Holder shall be entitled to vote or receive dividends or be deemed the holder of the Conversion Shares or any other securities of the Company which may at any time be issuable upon conversion of this Note for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon the recapitalization, issuance of shares, reclassification of shares, change of nominal value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise, in each case, until the Delivery Date applicable to the respective Conversion Shares purchasable upon the conversion hereof shall have occurred as provided herein.

1.11 *Conversion Shares*. The Company represents that upon issuance, the Conversion Shares will be duly and validly issued, fully paid and non-assessable. The Company agrees that its issuance of this Note shall constitute full authority to its officers, agents, and transfer agents who are charged with the duty of executing and issuing stock certificates to execute and issue the necessary certificates for the Conversion Shares upon the conversion of this Note. In respect of the Conversion Shares, the Company agrees to grant the Holder the same registration rights applicable in accordance with that certain Registration Rights Agreement, dated as of December 2013, by and among the Company and the investors named therein, or if there exists a newer Registration Rights Agreement, then the most recent version thereof.

2 EVENTS OF DEFAULT

2.1 *Events of Default*. The occurrence of an Event of Default (as defined in the Security Agreement) shall constitute an event of default ("**Event of Default**") hereunder.

2.2 *Default Interest*. Following the occurrence and during the continuance of an Event of Default, the Company shall pay additional interest on the outstanding Accreted Principal Amount balance of this Note in an amount equal to two percent (2%) per annum, and all outstanding obligations under this Note, the Purchase Agreement and each other Related Agreement, including unpaid interest, shall continue to accrue interest at such additional interest rate from the date of such Event of Default until the date such Event of Default is cured or waived.

2.3 *Notice of an Event of Default; Redemption Right*. Upon the occurrence of an Event of Default with respect to this Note or any other Note, the Company shall within one (1) Business Day deliver written notice thereof via facsimile and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default, the Holder may require the Company to redeem (regardless of whether such Event of Default has been cured) all or any portion of this Note by delivering written notice thereof (the "**Event of Default Redemption Notice**") to the Company, which Event of Default Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem.

3 COVENANTS

3.1 Until all of the Notes have been converted, redeemed or otherwise satisfied in accordance with their terms:

(a) *Rank*. All payments due under this Note shall rank pari passu with all other Notes in respect of the Purchase Agreement, and be senior to all other Indebtedness (as such term is defined in the Security Agreement) of the Company and its Subsidiaries, except as otherwise set forth in the Related Agreements.

(b) *Incurrence of Indebtedness*. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness other than as is permitted under the Security Agreement.

(c) *Existence of Liens*. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than in accordance and as explicitly permissible under the Security Agreement.

(d) *Restricted Payments*. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, prepay, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness except as otherwise set forth in the Security Agreement.

(e) *Restriction on Redemption and Cash Dividends*. The Company shall not, directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of its capital stock other than as is set forth in the Security Agreement.

(f) *Restriction on Transfer of Assets*. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary (including the securities of any Subsidiary) owned or hereafter acquired whether in a single transaction or a series of related transactions, other than as set forth in the Security Agreement.

(g) *Change in Nature of Business*. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Company and each of its Subsidiaries on the date hereof or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(h) *Noncircumvention*. The Company hereby covenants and agrees that the Company will not, by amendment of its Charter, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon conversion of this Note above the Conversion Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of this Note, and (iii) shall, so long as any of the Notes are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Notes, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the conversion of the Notes then outstanding.

(i) *Guaranties and Security*. This Note and the other Notes are secured to the extent and in the manner set forth in the Purchase Agreement and the Related Agreements (including, without limitation, the Security Agreement and the Guaranty).

4 REISSUANCE OF NOTE

4.1 *Transfer*. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note, registered as the Holder may request, representing the outstanding Accreted Principal Amount being transferred by the Holder and, if less than the entire outstanding amount is being transferred, a new Note to the Holder representing the outstanding Accreted Principal Amount not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, following conversion or redemption of any portion of this Note, the outstanding Accreted Principal Amount represented by this Note may be less than the Accreted Principal Amount stated on the face of this Note.

4.2 *Lost, Stolen or Mutilated Note*. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the then outstanding Accreted Principal Amount of this Note.

4.3 *Note Exchangeable for Different Denominations*. This Note is exchangeable, upon the surrender hereof by the Holder at the Accreted Principal Amount office of the Company, for a new Note or Notes (in principal amounts of at least $1,000) representing in the aggregate the then outstanding Accreted Principal Amount of this Note, and each such new Note will represent such portion of such outstanding Accreted Principal Amount as is designated by the Holder at the time of such surrender.

4.4 *Issuance of New Notes*. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Accreted Principal Amount remaining outstanding at that time (or in the case of a new Note being issued, the Accreted Principal Amount designated by the Holder which, when added to the Accreted Principal Amount represented by the other new Notes issued in connection with such issuance, does not exceed the Accreted Principal Amount remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest and default interest on the Accreted Principal Amount of this Note, from the Issuance Date.

5 MISCELLANEOUS

5.1 *Conversion Privileges*. The conversion privileges set forth herein shall remain in full force and effect immediately from the date hereof until the date this Note is indefeasibly paid in full and irrevocably terminated.

5.2 *Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief*. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the Purchase Agreement and Related Agreements at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note.

5.3 *Failure or Indulgence Not Waiver*. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

5.4 *Notices*. Any notice herein required or permitted to be given shall be given in writing in accordance with the terms of the Purchase Agreement.

5.5 *Amendment*. Provisions of this Note may be amended only with the written consent of the Company and the Required Holders. Any amendment effected in accordance with this Section 5.5 shall be binding upon the Holder and the Company, provided that no such amendment shall be effective to the extent that it (a) applies to less than all of the holders of Notes, (b) imposes any obligation or liability on the Holder without the Holder's prior written consent (which may be granted or withheld in the Holder's sole discretion) or (c) applies retroactively. The term "**Note**" and all references thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented, and any successor instrument as such successor instrument may be amended or supplemented.

5.6 *Transfer; Assignability*. This Note and any shares of Common Stock issued upon conversion of this Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company, subject only to the applicable provisions of the Purchase Agreement and subject to the Holder delivering written notice to the Company of all information relating to any subsequent purchaser, assignee or transferee of the Note so that the Company may keep an accurate record of all the then current holders of the Notes. This Note shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of the Holder and its successors and assigns. The Company may not assign any of its obligations under this Note without the prior written consent of the Holder, any such purported assignment without such consent being null and void.

5.7 *Waiver of Notice*. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Purchase Agreement.

5.8 *Payment of Collection, Enforcement and Other Costs*. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, reasonable attorneys' fees and disbursements.

5.9 *Governing Law, Jurisdiction and Waiver of Jury Trial*.

(a) THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

(b) THE COMPANY HEREBY CONSENTS AND AGREES THAT THE STATE AND/OR FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE COMPANY, ON THE ONE HAND, AND THE HOLDER AND/OR ANY OTHER CREDITOR PARTY, ON THE OTHER HAND, PERTAINING TO THIS NOTE OR ANY OF THE OTHER RELATED AGREEMENTS OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS NOTE OR ANY OF THE RELATED AGREEMENTS; PROVIDED, THAT THE COMPANY ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE COUNTY OF NEW YORK, STATE OF NEW YORK; AND FURTHER PROVIDED, THAT NOTHING IN THIS NOTE SHALL BE DEEMED OR OPERATE TO PRECLUDE THE HOLDER AND/OR ANY OTHER CREDITOR PARTY FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO COLLECT THE OBLIGATIONS (AS DEFINED IN THE SECURITY AGREEMENT), TO REALIZE ON THE COLLATERAL (AS DEFINED IN THE SECURITY AGREEMENT) OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE HOLDER AND/OR ANY OTHER CREDITOR PARTY. THE COMPANY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND THE COMPANY HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. THE COMPANY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE COMPANY AT THE ADDRESS SET FORTH IN THE PURCHASE AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF THE COMPANY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

(c) THE COMPANY HERETO WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE HOLDER AND/OR ANY OTHER CREDITOR PARTY, ON THE ONE HAND, AND THE COMPANY, ON THE OTHER HAND, ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS NOTE, ANY OTHER RELATED AGREEMENT OR THE TRANSACTIONS RELATED HERETO OR THERETO.

5.10 *Severability*. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note.

5.11 *Maximum Payments*. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum rate permitted by such law, any payments in excess of such maximum rate shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

5.12 *Security Interest*. The Agent, for the ratable benefit of the Creditor Parties, has been granted a security interest in certain assets of the Company as more fully described in the Security Agreement and the other Related Agreements.

5.13 *Construction; Counterparts*. Each party acknowledges that its legal counsel participated in the preparation of this Note and, therefore, stipulates that the rule of construction that ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Note to favor any party against the other. This Note may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Any signature delivered by a party by facsimile or electronic transmission shall be deemed to be an original signature hereto.

5.14 *Certain Definitions*. For purposes of this Note, the following terms shall have the following meanings:

(a) "**Bloomberg**" means Bloomberg, L.P.

(b) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) "**Closing Sale Price**" means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price (as the case may be) then last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last trade price of such security in the over-the counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 5.10. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(d) "**Closing Date**" shall be the date of Closing within the meaning set forth in the Purchase Agreement, which date is the date the Company initially issued Notes pursuant to the terms of the Purchase Agreement.

(e) "**Eligible Market**" means The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or the Principal Market.

(f) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(g) "**Principal Market**" means the Over-the-Counter Bulletin Board of the Financial Industry Regulatory Authority, Inc.

(h) "**Required Holders**" means the Holders, in the aggregate, holding at least a majority of the then-outstanding Accreted Principal Amount of the Notes.

(i) "**Trading Day**" means, as applicable, (x) with respect to all price determinations relating to the Common Stock, any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

[Balance of page intentionally left blank; signature page follows]

[Signature Page to Secured Convertible Term Note]

IN WITNESS WHEREOF, the Company has caused this Secured Convertible Term Note to be signed in its name effective as of this 3rd day of April, 2014.

HEALTHCARE CORPORATION OF AMERICA

By:

Name:

Title:

EXHIBIT I

CONVERSION NOTICE

Reference is made to the Secured Convertible Note (the "**Note**") issued to the undersigned by Healthcare Corporation of America (the "**Company**"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of common stock, no par value (the "**Common Stock**"), of the Company, as of the date specified below.

Date of Conversion:

Aggregate Conversion Amount to be converted:

Conversion Price:

Number of shares of Common Stock to be issued:

Please issue the Common Stock into which the Note is being converted in the following name and to the following address:

Issue to:

Facsimile Number:

Holder:

By:

Title:

Dated:

Account Number:
(if electronic book entry transfer)

Transaction Code Number:
(if electronic book entry transfer)

Installment Amount(s) to be reduced (and corresponding Installment Date(s)) and amount of reduction:

EXHIBIT II

ACKNOWLEDGMENT

The Company hereby acknowledges this Conversion Notice and hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____.

HEALTHCARE CORPORATION OF AMERICA

By:

Name:

Title:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR APPLICABLE STATE LAW. NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE LAW WHICH, IN THE OPINION OF COUNSEL TO THE COMPANY, IS AVAILABLE.

WARRANT

For the Purchase of [_____] Shares of Common Stock of

HEALTHCARE CORPORATION OF AMERICA

1. Grant of Warrant. THIS CERTIFIES THAT, pursuant to the terms of that certain Note Purchase Agreement dated as of April 3, 2014 (the "NPA"), by and among Healthcare Corporation of America, a Delaware corporation (the "Company") and the Noteholders (as defined in the NPA and hereinafter), and for consideration the sufficiency of which is hereby acknowledged, [_____] ("Holder" and together with its permitted transferees, the "Holders") is entitled, at any time or from time to time from the date hereof (the "Commencement Date"), and ending five (5) years from the date hereof on April 2, 2019 (the "Expiration Date"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to to purchase an aggregate of [_____] shares of common stock of the Company, par value $0.0001 per share (the "Common Stock"), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close in New York City, then this Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Warrant. This Warrant is exercisable at an exercise price equal to the lower among the following: (a) the price per share of the Next Round Securities (as defined in the NPA); (b) the conversion price of a convertible note raised after the transaction contemplated herein and under the NPA; and (c) the exercise price of warrants to the extent included in the Next Financing Round (as defined in the NPA) (the "Exercise Price").

2. Exercise.

2.1 Exercise Form. In order to exercise this Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Warrant and payment of the Exercise Price for the shares of Common Stock being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Warrant by payment of cash or certified check or official bank check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of shares of Common Stock equal to the value of this Warrant (or the portion thereof being exercised), by surrender of this Warrant to the Company, together with the exercise form attached hereto, in which event the Company shall issue to Holder shares of Common Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X = The number of shares of Common Stock to be issued to Holder;

Y = The number of shares of Common Stock for which the Warrant is being exercised;

A = The fair market value of one share of Common Stock; and

B = The Exercise Price.

For purposes of this Section 2.2, the fair market value of a share of Common Stock is defined as follows:

(i) if the Company's Common Stock is traded on a securities exchange, the value shall be deemed to be the average of the closing prices on such exchange or market over the thirty (30) day period ending three (3) days prior to the date of the exercise form being submitted in connection with the exercise of the Warrant; or

(ii) if the Company's Common Stock is actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) days prior to the date of the exercise form being submitted in connection with the exercise of the Warrant; or

(iii) if there is no active public market for the Common Stock, the value of a share of Common Stock shall be the fair market value thereof, as determined in good faith by the Company's Board of Directors.

2.3 Legend. Each certificate for the securities purchased under this Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the "Act"):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR APPLICABLE STATE LAW. NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE LAW WHICH, IN THE OPINION OF COUNSEL TO THE COMPANY, IS AVAILABLE."

3. Transfer.

3.1 General Restrictions. The registered Holder of this Warrant agrees by his, her or its acceptance hereof, that transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with this Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five business days transfer this Warrant on the books of the Company and shall execute and deliver a new Warrant or Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Act. The securities evidenced by this Warrant shall not be transferred unless and until: (i) the Company has received assurances from the Holder that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to such Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the Securities and Exchange Commission and compliance with applicable state securities law has been established.

4. Registration Rights. The Company agrees to grant the Holder the same registration rights applicable in accordance with that certain Registration Rights Agreement, dated as of December 2013, by and among the Company and the investors named therein, or if there exists a newer Registration Rights Agreement, then the most recent version thereof.

5. New Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Warrant of like tenor to this Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of shares of Common Stock purchasable hereunder as to which this Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of shares of Common Stock underlying the Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Equity Financing. Reserved.

6.1.2 Share Dividends; Split Ups. If after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock or by a split up of shares of Common Stock or other similar event, then, on the effective day thereof, the number of shares of Common Stock purchasable hereunder shall be increased in proportion to such increase in outstanding shares, and the Exercise Price shall be proportionately adjusted.

6.1.3 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 6.3, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares of Common Stock purchasable hereunder shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

6.1.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 6.1.2 or 6.1.3 hereof or that solely affects the par value of the Common Stock, or in the case of any share reconstruction or amalgamation or consolidation of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Warrant shall have the right thereafter (until the expiration of the right of exercise of this Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of shares of Common Stock obtainable upon exercise of this Warrant immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 6.1.2 or 6.1.3, then such adjustment shall be made pursuant to Sections 6.1.2 or 6.1.3 and this Section 6.1.4. The provisions of this Section 6.1.4 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.2 Substitute Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Warrant providing that the holder of each Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Warrant) to receive, upon exercise of such Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of Common Stock and underlying securities of the Company for which such Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation, sale or transfer. Such supplemental Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of the Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized shares of Capital Stock, solely for the purpose of issuance upon exercise of the Warrants, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefore, in accordance with the terms hereby, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder.

8. Certain Notice Requirements.

8.1 Holders' Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the shareholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefore, or (iii) a dissolution, liquidation or winding up of the Company(other than in connection with a consolidation or share reconstruction or amalgamation) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Transmittal of Notices. All notices, requests, consents and other communications under this Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

Healthcare Corporation of America
Attention: Chief Executive Officer
66 Ford Road
Denville, NJ 07834

With a copy to:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 1015
Attention: Mitchell S. Nussbaum and Giovanni Caruso

9 Miscellaneous.

9.1 Amendments. All modifications or amendments to this Warrant shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Warrant.

9.3 Entire Agreement. This Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof (other than sections 5-1401 and 5-1402 of the New York General Obligations law, which shall apply to this Warrant). The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefore.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

[Remainder of page deliberately left blank.]

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the 3rd day of April, 2014.

HEALTHCARE CORPORATION OF AMERICA

By: _____
Name:
Title:

ACCEPTED AND AGREED:

[Noteholder]

By: _____
Name:
Title:

SECURITY AGREEMENT

This SECURITY AGREEMENT dated as of April 4th, 2014 (the "Agreement"), by and between HEALTHCARE CORPORATION OF AMERICA, a Delaware corporation with its principal office and place of business at 66 Ford Road, Suite 230, Denville, NJ 07834 ("HCCA" or the "Company"), 340BASICS, INC. ("340 Basics"), a New Jersey corporation with its principal office and place of business at 66 Ford Road, Denville, NJ 07834 (each of HCCA and 340 Basics, is an "Obligor") and SELWAY CAPITAL HOLDINGS LLC, on behalf of the parties listed in Exhibit A to the NPA (hereinafter defined) (the "Secured Party" and the "Secured Parties", as applicable) (each, a "Party", and together the "Parties").

WHEREAS, the Secured Parties are providing debt financing to HCCA, which financing is evidenced by the Note Purchase Agreement to be entered into concurrently with this Agreement (the "NPA") and accompanying Notes by HCCA made payable to Secured Parties in the aggregate amount of $1,000,000 (the "Notes"); and

WHEREAS, 340Basics, a wholly-owned subsidiary of HCCA, is providing a secured guaranty of payment of HCCA's obligations under the Notes (the "Guaranty");

NOW, THEREFORE, for value received and in consideration of the foregoing and to induce Secured Parties to grant such financing, the Obligors hereby pledge, assign, transfer, sets over and grant to Secured Parties a continuing lien and security interest in the Collateral, as defined in Section 3 hereof.

1. Definitions.

(i) All capitalized terms not defined hereunder in this Section 1 or otherwise in this Agreement herein shall have the meaning ascribed to them in the NPA and/or Notes, as denoted. All other terms which are used in this Agreement which are defined in the Uniform Commercial Code shall have the same meanings herein as such terms are defined in the Uniform Commercial Code as in effect in the State of Delaware from time to time (the "UCC"), unless this Agreement shall otherwise specifically provide.

(ii) "Assets" shall be mean all Documents, Goods, Insurance, Intellectual Property, Investment Related Property, Letter of Credit Rights, Money, Non-payment Contracts, Receivables Contracts and Receivable Records (which for the avoidance of doubt include Accounts receivable), Commercial Tort Claims, General Intangibles, Material Contracts, motor vehicles and other personal property of any kind, Proceeds, products, accessions, rents and profits of or in respect of the foregoing, and all the tangible and intangible assets, monies, property and rights of any kind whatsoever without exception, whether now or hereafter at any time in the future owned by or in the possession of the applicable party in any manner or way whatsoever (including, for the avoidance of any doubt, and without limitation, all accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any property or rights), and all the stocks, shares, debentures, bonds, notes, instruments, bills drawn or made by others, securities and other documents or instruments of any kinds owned by the applicable party and/or which the applicable party has any right in connection thereto or is entitled to give instructions to sell now and at any time in the future, held by said party and/or by others and/or any rights in respect thereof.

(iii) "Accounts" shall mean all "accounts" as defined in Article 9 of the UCC.

(iv) "Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

(v) "Chattel Paper" shall mean all "chattel paper" as defined in Article 9 of the UCC, including, without limitation, "electronic chattel paper" or "tangible chattel paper", as each term is defined in the UCC.

(vi) "Commercial Tort Claims" shall mean all "commercial tort claims" as defined in the UCC, including, without limitation, all commercial tort claims listed and described with specification on Schedule III hereto (as such schedule may be amended or supplemented from time to time).

(vii) "Commodities Accounts" (i) shall mean all "commodity accounts" as defined in Article 9 of the UCC.

(viii) "Copyrights" shall mean all United States, state and foreign copyrights, all mask works, whether registered or unregistered, now or hereafter in force throughout the world, all registrations and applications therefore, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof, the right to sue for past, present and future infringements of any of the foregoing, and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

(ix) "Deposit Accounts" shall mean all "deposit accounts" as defined in Article 9 of the UCC.

(x) "Documents Evidencing Goods" shall mean all "documents" as defined in the UCC evidencing, representing or issued in connection with Goods.

(xi) "Equipment" shall mean: (i) all "equipment" as defined in the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, and tools (in each case, regardless of whether characterized as equipment under the UCC), (iii) all Fixtures and (iv) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefore, wherever located, now or hereafter existing.

(xii) "Fixtures" shall mean all "fixtures" as defined in Article 9 of the UCC.

(xiii) "General Intangibles" shall mean all "general intangibles" as defined in Article 9 of the UCC and shall include, without limitation, all interest rate or currency protection or hedging arrangements, all tax refunds and all licenses, permits, concessions and authorizations (in each case, regardless of whether characterized as general intangibles under the UCC).

(xiv) "Goods" shall mean all "goods" as defined in Article 9 of the UCC and shall include, without limitation, all Inventory, Equipment and Documents Evidencing Goods.

(xv) "Instruments" shall mean all "instruments" as defined in Article 9 of the UCC.

(xvi) "Insurance" shall mean all insurance policies covering any or all of the Assets (regardless of whether is the loss payee thereof).

(xvii) "Intellectual Property" shall mean any and all know-how, processes, technologies, software, code, scripts, firmware, service, network or product architectures, work plans, drawings, flow charts, sketches, models, samples, tools, technical information or data, inventions, discoveries, techniques, technical information and all related proprietary rights worldwide arising under law, and whether or not perfected or registered, including all (i) Patents, Patent applications and Patent rights, (ii) rights associated with works of authorship including trademarks, Copyrights, Copyright applications, Copyright registrations, mask work rights, mask work applications, mask work registrations, (iii) rights relating to the protection of trade secrets and confidential information, (iv) any right analogous to those set forth in this definition and any other proprietary rights relating to intangible property, (v) divisions, continuations, renewals, reissues and extensions of the foregoing (as and to the extent applicable) now existing, or hereafter filed, issued or acquired, and (vi) improvements, developments and derivative works in respect of any of the aforementioned.

(xviii) "Inventory" shall mean: (i) all "inventory" as defined in the UCC and (ii) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all merchandise, raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in the entity's business; all goods in which the entity has an interest in mass or a joint or other interest or right of any kind; and all goods which are returned to or repossessed by the entity, and all accessions thereto and products thereof (in each case, regardless of whether characterized as inventory under the UCC).

(xix) "Investment Accounts" shall mean the Securities Accounts, Commodities Accounts and Deposit Accounts.

(xx) "Investment Related Property" shall mean all "investment property" (as such term is defined in Article 9 of the UCC).

(xxi) "Letter of Credit Right" shall mean "letter-of-credit right" as defined in the UCC.

(xxii) "Material Contract" shall mean any contract or other arrangement to which the entity is a party for which breach, nonperformance, cancellation or failure to renew would be determined by the entity's board of directors to have a material adverse effect on the business condition (financial or otherwise) or results of operations of the entity or on the ability of the entity to comply with any applicable obligations hereunder or under the NPA and/or Note.

(xxiii) "Money" shall mean "money" as defined in the UCC.

(xxiv) "Non-Assignable Contract" shall mean any agreement, contract or license to which the entity is a party that by its terms purport to restrict or prevent the assignment or granting of a security interest therein (either by its terms or by any federal or state statutory prohibition or otherwise irrespective of whether such prohibition or restriction is enforceable under Section 9-406 through 409 of the UCC).

(xxv) "Next Round Financing Obligations" shall mean such covenants and obligations in the NPA in respect of and/or relating to the Next Financing Round (as defined in the NPA).

(xxvi) "Non-payment Contract" means any contract or agreement to which the entity is a party other than any contract where the account debtor's principal obligation is a monetary obligation; provided, however that Non-payment Contracts shall not include any Receivables Contracts.

(xxvii) "Patents" shall mean all United States, state and foreign patents and applications for letters patent throughout the world, all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations of any of the foregoing, all rights corresponding thereto throughout the world, and all proceeds of the foregoing including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit and the right to sue for past, present and future infringements of any of the foregoing.

(xxviii) "Payment Intangible" shall have the meaning specified in the UCC.

(xxix) "Proceeds" shall mean: (i) all "proceeds" as defined in Article 9 of the UCC, (ii) payments or distributions made with respect to any Investment Related Property and (iii) whatever is receivable or received when Assets or proceeds are sold, leased, licensed, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

(xxx) "Receivables Contracts" shall mean all (i) Accounts, (ii) Chattel Paper, (iii) Payment Intangibles, (iv) Instruments and (v) to the extent not otherwise covered above, all other rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, regardless of how classified under the UCC together with all of Grantor's rights, if any, in any goods or other property giving rise to such right to payment and all Collateral Support and Supporting Obligations related thereto and all Receivables Records; provided, however, that Receivables Contracts shall not include any Investment Related Property.

(xxxi) "Receivables Records" shall mean (i) all original copies of all documents, instruments or other writings or electronic records or other Records evidencing the Receivables Contracts, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoices, and other papers relating to Receivables Contracts, including, without limitation, all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables Contracts, whether in the possession or under the control of the applicable entity or any computer bureau or agent from time to time acting for the entity or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or agents thereof, and certificates, acknowledgments, or other writings, including, without limitation, lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto and (v) all other written or non-written forms of information related in any way to the foregoing or any receivable.

(xxxii) "Record" shall have the meaning specified in the UCC.

(xxxiii) "Securities" shall mean any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

(xxxiv) "Securities Accounts" shall mean all "securities accounts" as defined in Article 8 of the UCC.

2. Security Arrangement.

This Agreement secures, via the Security Interest set forth in Section 3 hereunder, HCCA's and/or the Guarantor's payment and performance of all of HCCA's obligations under the NPA and Notes, including all costs and expenses (including reasonable attorney's fees), incurred by any Secured Party in the disbursement, administration and collection of the loan evidenced by the Notes; (b) all costs and expenses (including reasonable attorney's fees), incurred by any Secured Party in the protection, maintenance and enforcement of the security interest hereby granted; (c) all obligations of the Obligors in any other agreement relating to the NPA and Notes; and (d) any modifications, renewals, refinancings, or extensions of the foregoing obligations. The Notes, the Guaranty and all other obligations secured hereby (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a) (and any successor provision thereof)) are collectively called the "Obligations."

3. Security Interests.

A. Stock Pledge. HCCA hereby grants to the Secured Parties a first priority lien on and security interest in, and acknowledges and agrees that Secured Parties have and shall continue to have a continuing first priority lien on and security interest in, all right, title, and interest of HCCA in all shares of capital stock of 340Basics, Inc., a New Jersey corporation, owned or held (including beneficially) by HCCA, whether now owned or hereafter acquired, and all substitutions and additions to such shares, whether by way of stock split or otherwise (herein, the "Pledged Securities"). For purposes of this Agreement, the term "Pledged Securities" includes all dividends, distributions, and sums distributable or payable from, upon or in respect of such shares of 340Basics, Inc., and all other rights and privileges incident to such shares, and all proceeds of the foregoing. In respect of the Pledged Securities, HCCA is delivering to Selway Capital Holdings, LLC, on behalf of the Secured Parties, all stock certificates representing the Pledged Securities, a stock power, executed with blank date, in the form attached hereto as Exhibit A (the "Stock Power"), to be exercised pursuant to Section 8(b) herein.

B. 340 Basics Security Interest. 340Basics hereby grants to Secured Party a continuing first priority lien on and security interest (the "340Basics Security Interest") in and to any and all Assets of 340 Basics and the profits and benefits derived therefrom and all other rights and privileges incident thereto (the "340Basics Assets").

C. HCCA Security Interest. HCCA hereby grants to Secured Party a continuing second priority lien on and security interest (the "Asset Security Interest" and together with the Pledged Securities and 340 Basics Security Interest, the "Security Interest") in and to all Assets of HCCA, other than the Pledged Securities and Stock Collateral, and the profits and benefits derived therefrom and all other rights and privileges incident thereto, including equity interests in all other subsidiaries (the "HCCA Assets", and together with the Stock Collateral, the "Collateral"). Notwithstanding anything to the contrary herein, the Asset Security Interest shall be subordinate only to the security interest of Partners for Growth, Inc. (the "Prior Security Interest"), and shall be deemed a first priority security interest for all other purposes.

D. Certain Limited Exclusions
. Notwithstanding anything herein to the contrary, in no event shall the security interest granted under Section 3.B or 3.C hereof attach to any lease, license, contract, property rights or agreement to which the Obligor is a party or any of its rights or interests thereunder if and for so long as the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of the Obligor therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract property rights or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity), provided however that such security interest shall attach immediately at such time as the condition causing such abandonment, invalidation or unenforceability shall be remedied and, to the extent severable, shall attached immediately to any portion of such lease, license, contract, property rights or agreement that does not result in any of the consequences specified in (i) or (ii).

E.

4. Perfection of Security Interests.

(a) The Obligors shall, if and when requested by the Secured Party in writing, execute such further assurances, and do all such acts and things as are reasonably necessary or as the Secured Party may reasonably require over or in relation to the Pledged Securities, 340Basics Security Interest and Assets Security Interest to maintain, perfect or protect the security rights created by this Agreement.

(b) The Secured Parties are hereby authorized to file financing statements and amendments to financing statements without any Obligor's signature in accordance with the UCC. The Obligor hereby authorizes Secured Parties to file all financing statements and amendments to financing statements describing the Collateral in any filing office as required to perfect the Security Interest in the Collateral. Obligor agrees to comply with the requirements of all state and federal laws and requests of Secured Party in order for Secured Party to have and maintain a valid and perfected (first or second, as applicable) security interest in the Collateral.

(c) Each of the officers of the Secured Parties, or such other person as the Secured Parties may authorize, is hereby irrevocably made, constituted and appointed the true and lawful attorney for the Obligor (without requiring it to act as such) with full power of substitution to do the following: (a) execute in the name of Obligor, schedules, assignments, instruments, documents and statements that Obligor is obligated to give Secured Parties hereunder or is necessary to perfect (or continue to evidence the perfection of such Security Interest); (b) during the continuance of an Event of Default, endorse the name of Obligor upon any and all checks, drafts, money orders and other instruments for the payment of monies that are payable to such Obligor and constitute collections on such Collateral, and to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; and (c) during the continuance of an Event of Default, to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do such other and further acts and deeds in the name of such Obligor that the Secured Parties may reasonably deem necessary or desirable to enforce any Collateral or Security Interest in the Collateral.

(d) Notwithstanding anything herein to the contrary, (i) the Obligors shall remain liable for all obligations under the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Secured Party, (ii) the Obligors shall remain liable under each of the agreements included in the Collateral, to perform all of the obligations undertaken by it thereunder all in accordance with and pursuant to the terms and provisions thereof and the Secured Parties shall not have any obligation or liability under any of such agreements by reason of or arising out of this Agreement or any other document related thereto nor any obligation to make any inquiry as to the nature or sufficiency of any payment received by it or have any obligation to take any action to collect or enforce any rights under any agreement included in the Collateral and (iii) the exercise by the Secured Parties of any of the rights hereunder shall not release the Obligors from any of duties or obligations under the contracts and agreements included in the Collateral.

5. Pledged Securities Voting Rights.

(a) The voting and other consensual rights and similar rights or powers attaching to the Pledged Securities (the "Voting Rights") shall be vested in the Secured Parties. Nevertheless, until the occurrence of an Event of Default, or failure to meet the Next Financing Round Obligations set forth in Section 6 of the NPA (each, a "Voting Event"), HCCA may exercise any and all such Voting Rights, save that: (i) that no such exercise may violate or be inconsistent with the express terms or purpose of this Agreement, the NPA and/or Note; (ii) that no such exercise may have the effect of impairing the position or interests of the Secured Parties. Upon the occurrence of a Voting Event, the Secured Party shall have the sole and exclusive right, but not the obligation, and authority to exercise the Voting Rights and shall be entitled to exercise or refrain from exercising such rights in such manner as the Secured Party may in its absolute discretion deem fit, and have all such rights as further set forth in the proxy attached hereto, executed by HCCA and 340 Basics with blank date, and to be confirmed, dated and executed by Secured Party following the provision of notice as set forth in sub-section (b) below (the "Voting Proxy").

(b) By signing this Pledge Agreement, each Obligor confirms that a written notice from the Secured Party to 340 Basics stating that a Voting Event has occurred, shall be sufficient for 340 Basics to accept the Secured Party as being exclusively entitled to such rights and other powers which it is entitled to exercise pursuant to this Section upon the occurrence of such a Voting Event.

6. Event of Default.

An event of default hereunder ("Event of Default") shall mean the occurrence or existence of any of the following:

(i) any Event of Default under the Note or NPA; or

(ii) any circumstance in which the Obligors fail to pay any sum due from it pursuant to the NPA and/or Note at the time and in the manner specified in the NPA and/or Note, or otherwise is in breach of this Agreement, the NPA, the Note and/or the Guaranty; or

(iii) any representation or statement made by the Obligors in this Agreement, the NPA, the Note and/or the Guaranty, or in any notice or other document, certificate or statement delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading when made or deemed to have been made; or

(iv) the Obligors fail duly to perform or comply with any covenant or other obligation expressed to be assumed by it in this Agreement, the NPA, the Note and/or the Guaranty, or any of the exhibits, schedules or annexes hereto and thereto; or

(v) any event or series of events occur(s), which, in the reasonable opinion of Secured Parties, may have a material adverse effect on the business, condition (financial or otherwise), or results of operations of the Obligors or on the ability of the Obligors to comply with any of the obligations hereunder or under the NPA, the Note and/or the Guaranty.

7. Covenants.

The Obligors hereby covenants and agrees that from and after the date hereof and until the payment in full of the Obligations, unless otherwise explicitly waived in writing (on a per-occurrence basis) by the Secured Parties:

(a) Obligors shall at all times own the Collateral free and clear of any and all liens, claims, encumbrances, security interests or charges of any kind whatsoever, except for the lien created by this Agreement, the Prior Security Interest, or the security interest granted in connection with the Securities Purchase Agreement dated as of December 31, 2013, to certain noteholders.

(b) Each Obligor shall keep and maintain books and records relating to the Collateral and such books and records relating thereto as Secured Parties may reasonably request, and Obligors shall, at all reasonable times and from time to time, permit Secured Parties, their respective agents or representatives, to reasonably examine and inspect each Obligor's books and records relating to the Collateral.

(c) Each Obligor shall defend its title to the Collateral against all persons and against all claims or demands of any kind whatsoever.

(d) Each Obligor shall promptly notify the Secured Parties in writing of any event known to the Obligor, which materially adversely affects the value of the Collateral.

(e) Each Obligor shall pay, when due, all charges, taxes, assessments and fees which may now or hereafter be imposed upon the ownership, sale, purchase or possession of the Collateral; and Secured Parties may, but are under no duty to, pay said items and charge the cost of same to Obligor.

(f) Each Obligor will, at any time at Secured Party's request deliver within five (5) business day to Secured Parties account statements and trade confirmations specifically identifying all of the Collateral.

(g) Each Obligor shall not transfer ownership of its assets to a third party other than in the ordinary course of business; nor create or permit to exist any encumbrance over all or any of its present or future revenues or assets; nor distribute any dividends; nor receive or make any loan or advance from or to a third party or incur or receive any debt other than debt incurred in the ordinary course of business consistent with past business practices, and in an amount less than $10,000; nor issue any guarantee or otherwise incur any contingent liability other than in the ordinary course of business, and in an amount less than $10,000.

8. Rights and Remedies on Default.

Upon the occurrence of any Event of Default, the following shall apply:

(a) The Secured Parties shall have the right to declare all Obligations of the Obligors to Secured Parties immediately due and payable.

(b) The Secured Parties shall have the right to proceed against all or any portion of the Collateral in any order and may apply such Collateral to the liabilities and obligations of the Company and/or any Obligor to Secured Parties in any order, including without limitation, acceptance of the execution of the Stock Power, filling in the date and instruction to 340Basics to register the Secured Parties as the holders of the Pledged Securities and all actions in respect thereof, for which 340Basics hereby undertakes and covenants to fulfill to the best of its ability. The Secured Parties may transfer or register the Collateral or any part thereof into their nominee's name with or without any indication that such Collateral is subject to the lien created hereunder. In addition, upon the occurrence and during the continuance of an Event of Default, the Secured Parties may at any time exchange certificates or other instruments representing or evidencing Collateral for certificates or other instruments of smaller or larger denominations, as applicable.

(c) In addition to all other rights, options and remedies granted to the Secured Parties under this Agreement, the Secured Parties may, upon the occurrence of an Event of Default, exercise any other rights granted to it under the UCC and any other applicable law, including, without limitation, the following rights and remedies: take possession of, send notices, and collect directly the Collateral, with or without judicial process (including, without limitation the right to notify the United States postal authority to redirect all mail addressed to each Obligor to an address designated by the Secured Parties).

(d) Notwithstanding the provisions of this Agreement, on and after the occurrence of an Event of Default, the Secured Parties may (but shall not be obligated to) elect, in lieu of the remedies specified hereinabove, to retain all of the Collateral as full and complete liquidated damages for any amounts then due and owing under the Obligation, whereby the Secured Parties shall not be obligated to make any sale or other disposition, unless the terms thereof shall be satisfactory to them.

For the sake of clarity, the exercise of any one right or remedy hereinabove, shall not be deemed a waiver or release of any other right or remedy, and the Secured Parties, upon the occurrence of an Event of Default, may proceed against the Company, any Obligor, and/or the Collateral, at any time, under any agreement, with any available remedy and in any order.

9. Termination of Security Interest.

Upon satisfaction in full by Obligors of the Obligations as notified in writing by the Secured Parties: (i) this Agreement and the security interest herein created shall terminate and be of no further force or effect, and (ii) the Secured Parties shall execute and deliver to Obligor for filing any and all necessary termination statements pursuant to the UCC.

10. Modification.

The terms of this Agreement may not be changed, varied, modified, or altered except by a writing signed by the Secured Parties (or a nominee thereof) and the Obligors.

11. Non-Waiver of Rights; Cumulative Remedies; Further Assurances.

No delay or omission on the part of the Secured Parties in exercising any of their rights hereunder, nor the acquiescence in or waiver by the Secured Parties of a breach of any term, covenant or condition of this Agreement shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. Any single or partial exercise of any right hereunder shall not thereafter preclude any other or further exercise of any other rights. The rights and remedies of the Secured Parties hereunder are cumulative and not exclusive of any rights or remedies provided by law or hereunder and all such rights and remedies may be exercised singularly or concurrently. Each party will execute and deliver, or cause to be duly executed and delivered, such further instruments and documents and do or use its best efforts to cause to be done such further acts as may be necessary to effectuate the provisions or purposes of this Agreement.

12. Notices.

All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier (with receipt confirmed), email (with receipt confirmed), courier service or personal delivery:

(a) If to the Secured Parties, to:

Selway Capital Holdings, LLC
900 Third Avenue, 19th floor
New York, NY 10022

Chardan Capital Markets, LLC
17 State Street, Suite 1600
New York, NY 10004
Attention: Kerry Propper

with a copy to:

Pearl Cohen Zedek Latzer Baratz LLP
1500 Broadway
New York, NY 10036
Attn: Oded Kadosh, Esq.
(e-mail) okadosh@pearlcohen.com
(fax) (646) 878-0838

(b) If to the Obligors, to:

Healthcare Corporation of America
66 Ford Road, Suite 230
Denville, NJ 07834
Attention: _____
(e-mail)
(fax)

340Basics, Inc.
66 Ford Road, Suite 230
Denville, NJ 07834
Attention: _____
(e-mail)
(fax)

All such notices and communications shall be deemed to have been duly given when delivered in accordance with this Section.

13. Successors and Assigns.

This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that Obligor may not assign any and all of its obligations hereunder without the prior written consent of the Secured Party.

14. Applicable Law.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to conflicts of law principles.

15. Consent to Jurisdiction.

All judicial proceedings brought against the Obligor arising out of this Agreement, may be brought in any state or federal court of competent jurisdiction in the County of New York, State of New York. By executing and delivering this agreement, the Obligor, for itself and in connection with its properties, irrevocably accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts; waives any defense of forum non conveniens; agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to the applicable Obligor at its address provided in accordance with this Agreement; agrees that service as provided above is sufficient to confer personal jurisdiction over the applicable Obligor in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect; and agrees that the Secured Party retains the right to serve process in any other manner permitted by law or to bring proceedings against the Obligor in the courts of any other jurisdiction.

16.

17.

18. Waiver of Jury Trial

EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

19. Headings.

The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

20. Severability.

The invalidity or unenforceability of any provisions of this Agreement pursuant to any applicable law shall not affect the validity of the remaining provisions hereof, but this Agreement shall be construed as if not containing the provision held invalid or unenforceable in the jurisdiction in which so held, and the remaining provisions of this Agreement shall remain in full force and effect. If the Agreement may not be effectively construed as if not containing the provision held invalid or unenforceable, then the provision contained herein that is held invalid or unenforceable shall be reformed so that it meets such requirements as to make it valid or enforceable.

21. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

****Remainder of page left intentionally blank. Signature page follows.****

[signature page #1 of 2 to SECURITY AGREEMENT between HEALTHCARE CORPORATION OF AMERICA, 340 BASICS, INC. and SELAY CAPITAL HOLDINGS LLC]

Obligor Signature Page

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

HEALTHCARE CORPORATION OF AMERICA

By: _____

Name:

Title:

STATE OF _____ }
} ss.:
COUNTY OF _____ }

On this __ day of _____, 2014, before me, the undersigned, _____, personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity as an authorized officer of HEALTHCARE CORPORATION OF AMERICA

_____
Notary Public

340BASICS, INC.

By: _____

Name:

Title:

STATE OF _____ }
} ss.:
COUNTY OF _____ }

On this __ day of _____, 2014, before me, the undersigned, _____, personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that such individual executed the same in such individual's capacity as an authorized officer of 340 BASICS, INC.

_____
Notary Public

[signature page #2 of 2 to SECURITY AGREEMENT between HEALTHCARE CORPORATION OF AMERICA, 340 BASICS, INC. and SELAY CAPITAL HOLDINGS LLC]

Secured Parties Signature Page

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

SELWAY CAPITAL HOLDINGS LLC

By: _____

Name:

Title:

EXHIBIT A

STOCK POWER SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto SELWAY CAPITAL HOLDINGS LLC (the "Transferee"), [insert number] shares of Common Stock of 340Basics, Inc., a New Jersey corporation, standing in the name of the undersigned on the books of the Company, constituting one hundred percent (100%) of the issued and outstanding stock standing on the books of the Company; as reflected in the attached certificate number(s) ____; and the undersigned does hereby irrevocably constitute and appoint the Secretary or other proper officer of 340Basics, Inc. as attorney to transfer such stock on the books of 340Basics, Inc. with full power of substitution.

Dated:

By: _____

HEALTHCARE CORPORATION OF AMERICA

The stock certificates underlying the aforementioned shares are hereby attached to this STOCK POWER.

Agreed and Confirmed:

340 BASICS, INC.

By: _____

Name:

Title:

Agreed and Confirmed:

SELWAY CAPITAL HOLDINGS LLC

By: _____

Name:

Title:

EXHIBIT B

IRREVOCABLE PROXY AND ATTORNEY-IN-FACT

FOR VALUE RECEIVED, the undersigned, HEALTHCARE CORPORATION OF AMERICA, a Delaware corporation hereinafter referred to as the "Stockholder", in respect of all of the shares held, beneficially or directly, by it in 340 BASICS, INC. (the "Company" and the "Shares"), hereby constitutes and appoints SELWAY CAPITAL HOLDINGS LLC (the "Proxy Holder"), with full power of substitution, as Stockholder's true and lawful proxy and attorney-in-fact with respect to all matters arising in connection with any action affecting or relating to the interest or Shares of the Stockholder in the Company, including, without limitation, voting rights and other rights in respect thereof or related thereto, and/or the exercise or waiver of any of the above, with full power in its name and on its behalf to otherwise to take all actions and to do all things necessary or proper, required, contemplated or deemed advisable by the Proxy Holder in its discretion, including the execution and delivery of all documents, and to vote at any meeting (and any adjournment or postponement thereof) of the Company's stockholders (including any class meeting), and in connection with any written consent of the Company's stockholders, in any matter whatsoever, without limitation, and generally to act for and in the name of the Stockholder as fully as would the Stockholder if then personally present and acting or otherwise capable.

IRREVOCABLE. The proxy and power of attorney granted herein shall be irrevocable unless otherwise indicated in writing by the Proxy Holder, shall be deemed to be coupled with an interest sufficient in law to support an irrevocable proxy, and shall revoke all prior proxies granted by Stockholder. Stockholder shall not grant to any person any proxy which conflicts with the proxy granted herein, and any attempt to do so shall be void. The power of attorney granted herein is a durable power of attorney and shall survive the death or incapacity of Stockholder.

EXERCISE. The Proxy Holder may exercise the proxy granted herein and shall have the right to vote all of the Stockholder Shares at any meeting of the Company's stockholders and in any action by written consent of the Company's stockholders. The vote of the Proxy Holder shall control in any conflict between a vote of or written consent with respect to the Shares by the Proxy Holder and a vote or action by Stockholder with respect to the Shares.

[signature page to follow]

[*signature page #1 of 2 to IRREVOCABLE PROXY AND ATTORNEY-IN-FACT of HEALTHCARE CORPORATION OF AMERICA holdings in 340 BASICS, INC.*]

IN WITNESS WHEREOF, the undersigned has executed and sealed this Proxy and Power of Attorney as of this_____day of _____, _____.

HEALTHCARE CORPORATION OF AMERICA

By: _____

Name:

Title:

Agreed and Confirmed:

340 BASICS, INC.

By: _____

Name:

Title:

Agreed and Confirmed:

SELWAY CAPITAL HOLDINGS LLC

By: _____

Name:

Title:

DATE: April 4th, 2014
BORROWER: Healthcare Corporation of America
GUARANTOR: 340 Basics, Inc.

CONTINUING AND UNCONDITIONAL GUARANTY

To: Selway Capital Holdings LLC, on behalf of the Noteholders under the NPA (hereinafter defined)

1. The Guaranty. For valuable consideration, the undersigned (the "Guarantor") hereby unconditionally guarantees to the Secured Parties any and all Indebtedness of Healthcare Corporation of America (the "Borrower") when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter. The liability of Guarantor under this Guaranty is not limited as to the principal amount of the Indebtedness, and extends beyond financial obligations to all obligations under the Secured Party Agreements, and includes, without limitation, liability for all interest, fees, indemnities, and other costs and expenses relating to or arising out of the Indebtedness and for all Obligations now or hereafter owing from Borrower to Secured Party (the "Guaranty"). The liability of Guarantor is continuing and relates to any Indebtedness, including that arising under successive transactions which shall either continue the Indebtedness or from time to time renew it after it has been satisfied.

2. Special Guaranty. Without derogating from the terms herein, the Guarantor hereby unconditionally guarantees to the Secured Parties the fulfillment of the Next Round Financing Obligations, and authorizes that the Secured Parties utilize the Receivables Contracts of the Guarantor in connection with any Indebtedness owing to or triggered by the failure of the Borrower to meet said Next Round Financing Obligations (the "Special Guaranty"). All terms benefiting the Secured Party and/or Secured Parties and applying to the Guaranty shall also be deemed to apply to the Special Guaranty.

3. Definition of Certain Terms.

(a) "340 Basics Assets" shall have the meaning ascribed to it in the Security Agreement.

(b) "340 Basics Security Interest" shall have the meaning ascribed to it in the Security Agreement.

(c) "Borrower" shall mean the individual or the entity named in Paragraph 1 of this Guaranty and, if more than one, then any one or more of them.

(d) "Guarantor" shall mean 340 Basics, Inc.

(e) "Indebtedness" shall mean, in respect of the NPA, Note and/or Security Agreement, any and all debts, liabilities, covenants and obligations of Borrower to Secured Party, now or hereafter existing, whether voluntary or involuntary and however arising, whether direct or indirect, financial or otherwise, or acquired by Secured Party by assignment, succession, or otherwise, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, held or to be held by Secured Party for its own account or as agent for another or others, whether Borrower may be liable individually or jointly others, whether recovery upon such debts, liabilities, and obligations may be or hereafter become barred by any statute of limitations, and whether such debts, liabilities, and obligations may be or hereafter become otherwise unenforceable. Indebtedness includes, without limitation, any and all obligations of Borrower to Secured Party for reasonable attorneys' fees and all other costs and expenses incurred by Secured Party (i) in the collection or enforcement of any debts, liabilities, and obligations of Borrower to Secured Party, or (ii) in the preservation, protection, or enforcement of any rights of Secured Party in any case commenced by or against Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute.

(f) "NPA" shall mean that certain Note Purchase Agreement entered into between the Secured Parties and the Borrower on or around the date hereof.

(g) "Next Round Financing Obligations" shall mean such covenants and obligations in the NPA in respect of and/or relating to the Next Financing Round (as defined in the NPA).

(h) "Note" shall mean that certain promissory note entered into by the Borrower in favor of the Secured Parties in connection with the NPA.

(i) "Noteholders" shall have the meaning ascribed to it in the NPA.

(j) "Obligations" shall have the meaning ascribed to it in the Security Agreement.

(k) "Receivables Contracts" shall have the meaning ascribed to it in the Security Agreement.

(l) "Security Agreement" shall mean that certain security agreement entered into by and between the Secured Party, the Borrower and the Guarantor, in connection with the NPA, the Note and this Agreement.

(m) "Secured Party Agreements" shall mean the NPA, Note and Security Agreement, and all agreements, documents, and instruments in respect thereof and/or evidencing any of related Indebtedness, executed by Borrower and/or Guarantor in connection with the Indebtedness, all as now in effect and as hereafter amended, restated, renewed, or superseded.

(n) "Secured Parties" shall mean the Noteholders.

(o) "Secured Party" shall mean Selway Capital Holdings LLC, on behalf of itself and the Secured Parties.

4. Obligations Independent. The obligations hereunder are independent of the obligations of Borrower or any other guarantor, and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against Borrower or any other guarantor or whether Borrower or any other guarantor be joined in any such action or actions. Anyone executing this Guaranty shall be bound by its terms without regard to execution by anyone else.

5. Guaranty to be Absolute. Guarantor agrees that until the Indebtedness has been paid in full and any commitments of Secured Party or facilities provided by Secured Party with respect to the Indebtedness have been terminated, Guarantor shall not be released by or because of the taking, or failure to take, any action that might in any manner or to any extent vary the risks of Guarantor under this Guaranty or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Guarantor's obligations under this Guaranty. Guarantor waives and surrenders any defense to any liability under this Guaranty based upon any such action, including but not limited to any action of Secured Party described in the immediately preceding paragraph of this Guaranty. It is the express intent of Guarantor that Guarantor's obligations under this Guaranty are and shall be absolute and unconditional.

6. Guarantor's Waivers of Certain Rights and Certain Defenses. Guarantor waives:

(a) any right to require Secured Party to proceed against Borrower, proceed against or exhaust any security for the Indebtedness, or pursue any other remedy in Secured Party's power whatsoever;

(b) any defense arising by reason of any disability or other defense of Borrower, or the cessation from any cause whatsoever of the liability of Borrower;

(c) any defense based on any claim that Guarantor's obligations exceed or are more burdensome than those of Borrower; and

(d) the benefit of any statute of limitations affecting Guarantor's liability hereunder.

No provision or waiver in this Guaranty shall be construed as limiting the generality of any other waiver contained in this Guaranty.

7. Waiver of Subrogation. Until the Indebtedness has been paid in full and any commitments of Secured Party or facilities provided by Secured Party with respect to the Indebtedness have been terminated, even though the Indebtedness may be in excess of Guarantor's liability hereunder, Guarantor waives to the extent permitted by applicable law any right of subrogation, reimbursement, indemnification, and contribution (contractual, statutory, or otherwise) including, without limitation, any claim or right of subrogation under the Bankruptcy Code (Title 11, United States Code) or any successor statute, arising from the existence or performance of this Guaranty, and Guarantor waives to the extent permitted by applicable law any right to enforce any remedy that Secured Party now has or may hereafter have against Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by Secured Party.

8. Waiver of Notices. Guarantor waives all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of intent to accelerate, notices of acceleration, notices of any suit or any other action against Borrower or any other person, any other notices to any party liable on any Secured Party Agreement (including Guarantor), notices of acceptance of this Guaranty, notices of the existence, creation, or incurring of new or additional Indebtedness to which this Guaranty applies or any other Indebtedness of Borrower to Secured Party, and notices of any fact that might increase Guarantor's risk.

9. Subordination. Any obligations of Borrower to Guarantor, now or hereafter existing, including but not limited to any obligations to Guarantor as subrogee of Secured Party or resulting from Guarantor's performance under this Guaranty, are hereby subordinated to the Indebtedness. In addition to Guarantor's waiver of any right of subrogation as set forth in this Guaranty with respect to any obligations of Borrower to Guarantor as subrogee of Secured Party, Guarantor agrees that, if Secured Party so requests, Guarantor shall not demand, take, or receive from Borrower, by setoff or in any other manner, payment of any other obligations of Borrower to Guarantor until the Indebtedness has been paid in full and any commitments of Secured Party or facilities provided by Secured Party with respect to the Indebtedness have been terminated. If any payments are received by Guarantor in violation of such waiver or agreement, such payments shall be received by Guarantor as trustee for Secured Party and shall be paid over to Secured Party on account of the Indebtedness, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty. Any security interest, lien, or other encumbrance that Guarantor may now or hereafter have on any property of Borrower is hereby subordinated to any security interest, lien, or other encumbrance that Secured Party may have on any such property.

10. Reinstatement of Guaranty. If this Guaranty is revoked, returned, or canceled, and subsequently any payment or transfer of any interest in property by Borrower to Secured Party is rescinded or must be returned by Secured Party to Borrower, this Guaranty shall be reinstated with respect to any such payment or transfer, regardless of any such prior revocation, return, or cancellation; and any guaranty of any indemnities, shall survive any termination of this Guaranty.

11. Stay of Acceleration. In the event that acceleration of the time for payment of any of the Indebtedness is stayed upon the insolvency, bankruptcy, or reorganization of Borrower or otherwise, all such Indebtedness guaranteed by Guarantor shall nonetheless be payable by Guarantor immediately if requested by Secured Party.

12. Information Relating to Borrower. Guarantor acknowledges and agrees that it has made such independent examination, review, and investigation of the Secured Party Agreements as Guarantor deems necessary and appropriate, including, without limitation, any covenants pertaining to Guarantor contained therein, and shall have sole responsibility to obtain from Borrower any information required by Guarantor about any modifications thereto. Guarantor further acknowledges and agrees that it shall have the sole responsibility for, and has adequate means of, obtaining from Borrower such information concerning Borrower's financial condition or business operations as Guarantor may require, and that Secured Party has no duty, and Guarantor is not relying on Secured Party, at any time to disclose to Guarantor any information relating to the business operations or financial condition of Borrower.

13. Remedies. If Guarantor fails to fulfill its duty to pay all Indebtedness guaranteed hereunder, Secured Party shall have all of the remedies of a creditor and, to the extent applicable, of a secured party, under all applicable law. Without limiting the foregoing to the extent permitted by law, Secured Party may, at its option and without notice or demand:

(a) declare any Indebtedness due and payable at once;

(b) take possession of any 340 Basics Assets, wherever located, and sell, resell, assign, transfer, and deliver all or any part of the collateral at any public or private sale or otherwise dispose of any or all of the collateral in its then condition, for cash or on credit or for future delivery, and in connection therewith Secured Party may impose reasonable conditions upon any such sale. Further, Secured Party, unless prohibited by law the provisions of which cannot be waived, may purchase all or any part of the 340 Basics Assets to be sold, free from and discharged of all trusts, claims, rights of redemption and equities of Borrower or Guarantor whatsoever. Guarantor acknowledges and agrees that the sale of any collateral through any nationally recognized broker-dealer, investment banker, or any other method common in the securities industry shall be deemed a commercially reasonable sale under the Uniform Commercial Code or any other equivalent statute or federal law, and expressly waives notice thereof except as provided herein;

(c) set off and apply any and all Receivables Contracts, which include, without limitation and for the avoidance of doubt, all accounts receivable of Guarantor against any and all obligations of Guarantor owing to Secured Party. The set-off may be made irrespective of whether or not Secured Party shall have made demand under this Guaranty, and although such obligations may be contingent or unmatured or denominated in a currency different from that of the applicable Receivables Contracts and without regard for the availability or adequacy of other collateral. If exercised by Secured Party, Secured Party shall be deemed to have exercised such right of setoff and to have made a charge against any such money immediately upon the occurrence of such default although made or entered on the books subsequent thereto. Any Receivables Contracts may be converted, sold or otherwise liquidated.

14. Notices. All notices required under this Guaranty shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Guaranty, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as Secured Party and Guarantor may specify from time to time in writing. Notices sent by (a) first class mail shall be deemed delivered on the earlier of actual receipt or on the fourth business day after deposit in the U.S. mail, postage prepaid, (b) overnight courier shall be deemed delivered on the next business day, and (c) telecopy shall be deemed delivered when transmitted.

15. Successors and Assigns. This Guaranty (a) binds Guarantor and Guarantor's executors, administrators, successors, and assigns, provided that Guarantor may not assign its rights or obligations under this Guaranty without the prior written consent of Secured Party, and (b) inures to the benefit of Secured Party and Secured Party's indorsees, successors, and assigns. Secured Party may, without notice to Guarantor and without affecting Guarantor's obligations hereunder, sell, assign, grant participations in, or otherwise transfer to any other person, firm, or corporation the Indebtedness and this Guaranty, in whole or in part. Guarantor agrees that Secured Party may disclose to any assignee or purchaser, or any prospective assignee or purchaser, of all or part of the Indebtedness any and all information in Secured Party's possession concerning Guarantor, this Guaranty, and any security for this Guaranty.

16. Amendments, Waivers, and Severability. No provision of this Guaranty may be amended or waived except in writing. No failure by Secured Party to exercise, and no delay in exercising, any of its rights, remedies, or powers shall operate as a waiver thereof, and no single or partial exercise of any such right, remedy, or power shall preclude any other or further exercise thereof or the exercise of any other right, remedy, or power. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision of this Guaranty.

17. Costs and Expenses. Guarantor agrees to pay all reasonable attorneys' fees, including allocated costs of Secured Party's in-house counsel to the extent permitted by applicable law, and all other costs and expenses that may be incurred by Secured Party (a) in the enforcement of this Guaranty or (b) in the preservation, protection, or enforcement of any rights of Secured Party in any case commenced by or against Guarantor under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute.

18. Governing Law and Jurisdiction. This Guaranty is governed by and shall be interpreted according to federal law and the laws of the State of New York. If state or local law and federal law are inconsistent, or if state or local law is preempted by federal law, federal law governs. If Secured Party has greater rights or remedies under federal law, whether as a national bank or otherwise, this paragraph shall not be deemed to deprive Secured Party of such rights and remedies as may be available under federal law. Jurisdiction and venue for any action or proceeding to enforce this Guaranty shall be the forum appropriate for such action or proceeding against Borrower, to which jurisdiction Guarantor irrevocably submits and to which venue Guarantor waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. It is provided, however, that if Guarantor owns property in another state, notwithstanding that the forum for enforcement action is elsewhere, Secured Party may commence a collection proceeding in any state in which Guarantor owns property for the purpose of enforcing provisional remedies against such property. Service of process by Secured Party in connection with such action or proceeding shall be binding on Guarantor if sent to Guarantor by registered or certified mail at its address specified in the Security Agreement.

19. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

[signature page to follow]

[*signature page #1 of 2 to GUARANTY of 340 BASICS, INC. in respect of the NPA and Note*]

IN WITNESS WHEREOF, the undersigned has executed and sealed this Guaranty as of this 4th day of April, 2014.

340 BASICS, INC.

By: _____

Name:

Title:

STATE OF NEW YORK }
} ss.:
COUNTY OF NEW YORK }

On this __ day of _____, 2014, before me, the undersigned, _____, personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity as an authorized officer of 340 BASICS, INC.

_____
Notary Public

Accepted and Agreed

HEALTHCARE CORPORATION OF AMERICA

:

By: _____

Name:

Title:

STATE OF NEW YORK }
} ss.:
COUNTY OF NEW YORK }

On this __ day of _____, 2014, before me, the undersigned, _____, personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity as an authorized officer of 340 BASICS, INC.

_____
Notary Public

[*signature page #2 of 2 to GUARANTY of 340 BASICS, INC. in respect of the NPA and Note*]

Accepted and Agreed

SELWAY CAPITAL HOLDINGS LLC

:

By: _____

Name:

Title: