

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

HealthWarehouse.com, Inc.

CIK:[754813](#) | IRS No.: [222413505](#) | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SIC: **5912** Drug stores and proprietary stores

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FLORENCE KY 41042*

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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 OF 1934

Date of Report (Date of earliest event reported): April 7, 2017



HEALTHWAREHOUSE.COM, INC.
(Exact name of registrant as specified in charter)

<u>Delaware</u> (State or other jurisdiction of incorporation)	<u>000-13117</u> (Commission File Number)	<u>22-2413505</u> (IRS Employer Identification No.)
<u>7107 Industrial Road</u> <u>Florence, Kentucky</u> (Address of principal executive offices)		<u>41042</u> (Zip Code)

Registrant's telephone number, including area code: (800) 748-7001

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- 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))
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Item 1.01 Entry Into A Material Definitive Agreement.

Kapok Ventures Refinancing of Senior Debt

Effective April 7, 2017 Healthwarehouse.com, Inc., a Delaware corporation (the "Company"), and its subsidiaries HWAREH.COM, Inc. and Hocks.com, Inc., executed a Promissory Note (the "Kapok Promissory Note") and a Security Agreement (the "Kapok Security Agreement") (collectively, the Kapok Promissory Note and the Kapok Security Agreement, the "Kapok Loan Agreements") with Kapok Ventures Limited, a British Columbia corporation ("Kapok"). Under the terms of the Kapok Promissory Note, the Company borrowed an aggregate of \$1,000,000 from Kapok (the "Kapok Loan"). The Kapok Promissory Note bears interest on the unpaid principal balance until the full amount of principal has been paid at a variable rate equal to the prime rate plus four and one-quarter percent (4.25%) per annum. Under the terms of the Kapok Promissory Note, the Company has agreed to make monthly payments of accrued interest on the first day of every month. The principal amount and all unpaid accrued interest on the Kapok Promissory Note is payable on March 31, 2018.

Pursuant to the Kapok Security Agreement, the Company granted Kapok a first priority security interest in all of the Company's assets, in order to secure the Company's obligation to repay the Kapok Promissory Note. The Kapok Loan Agreements contain customary negative covenants restricting the Company's ability to take certain actions without Kapok's consent, including incurring additional indebtedness, transferring or encumbering assets, paying dividends or making certain other payments, and acquiring other businesses. The repayment of the Kapok Promissory Note may be accelerated prior to the maturity date upon certain specified events of default, including failure to pay, bankruptcy, breach of covenant, and breach of representations and warranties.

Issuance of Shares of Common Stock

Effective April 7, 2017 the Company entered into Subscription Agreements (the "Subscription Agreements") with three affiliated accredited investors, namely Joseph Heimbrock, Cormag Holdings, Ltd. and Osgar Holdings Ltd. (collectively, the "Investors") and sold shares of the Company's Common Stock, par value \$0.001 per share, to the Investors in a non-public offering under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933, as amended. Through MVI Partners, LLC, Mr. Heimbrock holds approximately 97% of the Company's outstanding shares of Series B Preferred Stock and Mr. Heimbrock is a member of the Company's Board of Directors. Cormag Holdings is owned by Mark D. Scott, the Company's Chairman of the Board of Directors and beneficially owns approximately 11.9% of the Company's outstanding shares of Common Stock after giving effect to the subscription. Osgar Holdings is the beneficial owner of approximately 6.6% of the Company's outstanding shares of Common Stock after giving effect to the subscription. Hong Penner is the President and sole shareholder of Osgar Holdings and she and her husband Brent Penner have loaned Kapok \$250,000 for purposes of financing the Kapok Loan Agreements. Under the terms of the Subscription Agreements, the Company sold a total of 1,875,000 shares of Common Stock to the Investors at \$0.16 per share for an aggregate price of \$300,000. In connection with the Subscription Agreements, MVI Partners, LLC and the other holders of the Company's Series B Preferred Stock executed a Waiver of Rights of First Refusal.

Use of Proceeds

The proceeds from the Kapok Promissory Note and Subscription Agreements were used to repay in full the indebtedness owing to Steven Deixler under a promissory note in the principal amount of \$100,000 and to Melrose Capital Advisors, LLC ("Melrose") under a Loan and Security Agreement, dated as of March 28, 2013 (the "Melrose Loan Agreement"). Under the terms of the Melrose Loan Agreement, the Company borrowed an aggregate of \$1,200,000 from Melrose (the "Melrose Loan"). The Melrose Loan is evidenced by a promissory note in the face amount of \$1,200,000, as amended (the "Melrose Senior Note"). The Melrose Senior Note bears interest on the unpaid principal balance until the full amount of principal has been paid at a floating rate equal to the prime rate plus four and one-quarter percent (4.25%) per annum. Under the terms of the Melrose Loan Agreement, the Company had agreed to make monthly payments of accrued interest on the first day of every month.

A special committee of the Company's Board of Directors approved the terms of the Kapok Loan Agreements and Subscription Agreements.

The foregoing description of the Kapok Loan Agreements and the Subscription Agreements is not intended to be complete and is qualified in its entirety by reference to the full text of the Kapok Promissory Note, Kapok Security Agreement, and Form of Subscription Agreement which are filed as Exhibits 10.1, 10.2, and 10.3 hereto, and are incorporated herein by reference.

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

See Item 1.01, which is incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

See Item 1.01, which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are included herewith.

Exhibit Number	Description
10.1	Promissory Note dated April 7, 2017 executed by Healthwarehouse.com, Inc., HWAREH.COM, Inc. and Hocks.com, Inc. in favor of Kapok Ventures Limited
10.2	Security Agreement dated April 7, 2017 executed by Healthwarehouse.com, Inc., HWAREH.COM, Inc. and Hocks.com, Inc. in favor of Kapok Ventures Limited
10.3	Form of Subscription Agreement for Common Stock

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.

HEALTHWAREHOUSE.COM, INC.

Date: April 10, 2017

By: /s/ Mark D. Scott

Mark D. Scott

Chairman of the Board

COGNOVIT PROMISSORY NOTE**\$1,000,000.00**

April 7, 2017

1. **Promise To Pay.** The undersigned **HEALTHWAREHOUSE.COM, INC.**, a Delaware corporation, **HWAREH.COM, INC.**, a Delaware corporation, and **HOCKS.COM, INC.**, an Ohio corporation, all with an address at 7107 Industrial Road, Florence, Kentucky 41042, jointly and severally (collectively the "Borrowers" or individually, a "Borrower"), for value received, hereby promise to pay to the order of **KAPOK VENTURES LIMITED**, a British Columbia corporation, c/o Magnus LLP, 430 Five Donald Street, Winnipeg, Manitoba, Canada, R3L 2T4 (together with its successors and assigns, the "Lender") in lawful money of the United States of America in immediately available funds the sum of One Million Dollars (\$1,000,000.00) (the "Loan"), together with interest on the unpaid balance thereof. This Cognovit Promissory Note (the "Note") is secured by the personal property as described in the Security Agreement executed by Borrowers contemporaneously with this Note (the "Security Agreement"). The Note, Security Agreement, financing statements and any other documents executed contemporaneously therewith or after the date thereof with respect to this Loan shall be referred to as the "Loan Documents."

2. **Payment.** Borrowers shall pay the principal sum of the Loan represented by this Note in one installment of principal, plus all accrued and unpaid interest, on demand, such demand not to be given by Lender prior to March 31, 2018 (the "Maturity Date"). Lender shall have the right to extend the Maturity Date at any time in Lender's sole and absolute discretion. In addition, Borrowers will pay regular monthly payments of accrued unpaid interest, calculated monthly, beginning May 1, 2017, and all subsequent interest payments are due and payable on the first day of each month while the Loan remains outstanding. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges. If any payment is due on a day that is not a Business Day, then payment will be due on the next Business Day. Unless otherwise directed by Lender in writing, all payments shall be made to the Lender at the address of the Lender set forth above, or at such other address as Lender may designate in writing.

3. **Interest Rate.** Prior to demand or default hereunder, interest will accrue on the unpaid balance of the Loan at the variable rate of interest equal to the Prime Rate plus four and a quarter percent (4.25%). For purposes hereof, "Prime Rate" shall mean the "prime rate" published by Fifth Third Bank from time to time rounded to two decimal places; however, if such rate is, at any time during the term of this Note, no longer determinable by Lender, then the term "Prime Rate" shall mean the "prime rate" as published in the "Money Rates" section of The Wall Street Journal rounded to two decimal places. The rate of interest on the Obligations evidenced by this Note shall change automatically without notice to the Borrowers immediately with each change in the Prime Rate, but in no event more than once per month. Interest on the unpaid principal balance of this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Any reference in this Note to a "per annum" rate shall be based on a year of 360 days. In no event shall the interest rate and other charges hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event a court determines that Lender has received interest and other charges hereunder in excess of the highest rate applicable hereto, such excess shall be deemed received on account of, and shall automatically be applied to reduce, the Loans, other than interest, in the inverse order of maturity, and the provisions hereof shall be deemed amended to provide for the highest permissible rate. If there are no amounts outstanding under any Note, Lender shall refund to Borrowers such excess.

4. **Prepayment.** Without the consent of Lender, this Note may not be prepaid in full or in part at any time.

5. **Use Of Proceeds.** Each Borrower certifies that the proceeds of this Loan are to be used solely for refinancing the existing Indebtedness owed by Borrowers to Melrose Capital Advisors, LLC in the approximate amount of Nine Hundred Thousand Dollars (\$900,000.00) and the existing Indebtedness owed by Borrowers to Steven Deixler in the amount of One Hundred Thousand Dollars (\$100,000.00). In furtherance of satisfying the purpose of the Loan, the Borrowers acknowledge that the principal sum of the Loan shall be advanced by Lender to Hummel Title Agency, Inc. ("Hummel") which shall disburse such funds to the accounts of Melrose Capital Advisors, LLC and Steven Deixler upon confirmation from Lender and Borrower, or their respective legal counsel, that all closing conditions of Lender have been satisfied, such closing conditions include, but may not be not limited to:

(a) receipt by Lender and its legal counsel of all Loan Documents duly executed by Borrowers including, without limitation, a general security agreement in form and content satisfactory to Lender and its legal counsel, and registration thereof in all

jurisdictions required to give Lender a secured first charge on Borrowers' present and future assets and undertaking, and proceeds thereof, subject only to Permitted Encumbrances hereunder;

(b) receipt of responses satisfactory to Lender and its legal counsel to all due diligence inquiries reasonably required by Lender and its legal counsel;

(c) receipt by Lender and its legal counsel of any such further documentation from the Borrowers or their counsel as Lender may request;

(d) receipt by Hummel of Three Hundred Thousand Dollars on behalf of Borrowers that shall be used in conjunction with the proceeds of this Loan to satisfy the existing debt owed to Melrose Capital Advisors, LLC and Steven Deixler; and

(e) the existing Indebtedness owing to Melrose Capital Advisors, LLC and Steven Deixler be repaid in full forthwith and that any corresponding Liens in respect thereof be fully discharged.

6. Representations And Warranties. In order to induce Lender to extend the credit accommodations provided in this Note, Borrowers, jointly and severally, hereby warrant and represent to Lender that the following are true and accurate as of the date hereof:

(a) Except as set forth on Schedule 6(a), each Borrower is duly incorporated, validly existing and in good standing under the laws of the State of its incorporation and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing and failure to be so qualified or licensed could reasonably be expected to materially adversely affect a Borrower. Without limitation to the generality of the foregoing, Borrowers operate the business of the Borrowers in accordance with their certification under the Verified Internet Pharmacy Practice Sites (VIPPS) program certification, issued and administered by the National Association of Boards of Pharmacy (the "VIPPS Certification"). Each Borrower is duly authorized to execute and deliver the Loan Documents, all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken, and the Loan Documents, when executed and delivered by each Borrower, will constitute the legal, valid and binding obligations of such Borrower enforceable in accordance with their terms except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(b) There are no actions, suits, arbitrations, investigations, claims, inquiries, or proceedings pending or threatened against or affecting any Borrower or its property, and no proceedings before any governmental body are pending or threatened against any Borrower or its property, except as set forth on Schedule 6(b). None of such proceedings listed on Schedule 6(b) (if any) are reasonably expected to have a material adverse effect on any Borrower.

(c) Each Borrower is in compliance with all material laws, regulations, rulings, orders, injunctions, decrees, conditions or other requirements applicable to or imposed upon such Borrower by any law or by any governmental authority, court or agency with jurisdiction over such Borrower. Each Borrower has filed all required tax returns and reports that are now required to be filed by it in connection with any federal, state and local tax, duty or charge levied, assessed or imposed upon him or his assets, including unemployment, social security, and real estate taxes the failure of which, individually or in the aggregate, could reasonably be expected to materially adversely affect a Borrower. Each Borrower has paid all taxes which are now due and payable except those which currently are subject to a Permitted Protest and for which such Borrower has set aside adequate reserves or made other adequate provision with respect thereto, and those the failure to pay could not reasonably be expected to materially adversely affect a Borrower. Except as set forth on Schedule 6(a), no taxing authority has asserted or assessed any additional tax liabilities against any Borrower which are outstanding on the date hereof, and no Borrower has filed for any extension of time for the payment of any tax or the filing of any tax return or report.

(d) All financial statements delivered by any Borrower or on its behalf to Lender fairly present, in all material respects, the consolidated financial condition and the results of operations, retained earnings, and cash flows of such Borrower as at the respective dates of, and for the periods referred to in, such financial statements, subject in the case of interim statements to changes resulting from year-end adjustments, and each Borrower's financial statements have been prepared in accordance with generally acceptable accounting principles consistently applied (except in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments). No Borrower has any material obligations or liabilities of any kind not disclosed in the financial statements delivered to Lender, and there has been no material adverse change in the financial condition of any Borrower nor has any Borrower suffered any damage, destruction or loss which has adversely affected its business or assets since the submission of the most recent financial statements to Lender.

(e) To the knowledge of the Borrowers there does not exist any Event of Default under this Note or any default or violation by any Borrower of or under any of the terms, conditions or obligations of: (i) its Organizational Documents; or (ii) any law,

ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law, the action of any court or any governmental authority or agency that could reasonably be expected to have a material adverse effect on any Borrower (on a consolidated basis); and the consummation of the transactions set forth herein will not result in any such default or violation or Event of Default.

(f) Each Borrower has good and marketable title to the assets reflected on the most recent financial statements provided to Lender, free and clear of all liens and encumbrances, except for Permitted Liens.

(g) There is no fact known to any Borrower which materially adversely affects or, so far as Borrowers can now reasonably foresee, could reasonably be expected to materially adversely affect the business, assets, operations, condition (financial or otherwise) or results of operation of any Borrower and which has not otherwise been fully set forth in this Note or the publically accessible documents of HEALTHWAREHOUSE.COM, INC. filed with the Securities and Exchange Commission ("SEC").

The covenants, agreements, representations and warranties set forth in this Note and in any certificate or other Loan Document delivered hereunder shall, notwithstanding any investigation made by Lender or its legal counsel or any other representative of Lender, continue in full force and effect until repayment in full of all of the Indebtedness.

7. Financial Information. Each Borrower shall maintain books and records in accordance with generally accepted accounting principles consistently applied ("GAAP"), except in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments. Borrowers shall deliver the following to Lender during the entire time during which any amount is due under this Note:

(a) As soon as practicable after the end of each calendar quarter beginning with the calendar quarter ending March 31, 2017, and in any event within forty five (45) days after the end of each calendar quarter, a consolidated balance sheet of Borrowers as of the end of such quarter, and consolidated statements of cash flows, shareholders' equity of Borrower for such quarter, certified by the principal financial officer of such Borrowers as fairly presenting, in all material respects, the consolidated financial condition and the results of operations, retained earnings, and cash flows of the Borrowers as at the respective dates of, and for the periods referred to in, such financial statements, subject to changes resulting from year-end adjustments; provided, however, that Borrowers may deliver a Form 10-Q of HEALTHWAREHOUSE.COM, INC. filed with the SEC at the time required herein to satisfy this requirement.

(b) As soon as practicable after the end of each fiscal year, beginning with the fiscal year ending December 31, 2016, and in any event within one hundred twenty (120) days after the end of each fiscal year, audited financial statements of Borrowers, including, a consolidated balance sheet of Borrowers as of the end of such year, and consolidated statements of cash flows, owners' equity of Borrowers for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an audit report of independent certified public accountants, selected by Borrowers and reasonably satisfactory to Lender, which report and opinion shall be prepared in accordance with generally accepted auditing standards; provided, however, that Borrowers may deliver a Form 10-K of HEALTHWAREHOUSE.COM, INC. filed with the SEC at the time required herein to satisfy this requirement.

(c) As soon as practicable after the end of each calendar quarter, beginning with the calendar quarter ending June 30, 2017, a report on the status of the licenses held by HEALTHWAREHOUSE.COM, INC. or any other Borrower, showing each state in which licenses are held and the status of the licenses, i.e., active, inactive, suspended, notifications received, etc.

8. Affirmative Covenants. Borrowers, jointly and severally, agree that from the date of execution of this Note until this Note is repaid in full each Borrower will:

(a) Except as set forth on Schedule 8(a), pay and discharge all Indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon such Borrower, its income, profits, property or business, except those which currently are being diligently contested in good faith by appropriate proceedings (a "Permitted Protest").

(b) Do all things necessary to in all material respects: (i) maintain, renew and keep in full force and effect its organizational existence and all rights, permits and franchises necessary to enable it to continue its business as currently conducted including, without limitation, the VIPPS Certification; (ii) continue in operation in substantially the same manner as at present; (iii) keep its properties in good operating condition and repair (normal wear and tear excepted); and (iv) make all necessary and proper repairs, renewals, replacements, additions and improvements thereto.

(c) Maintain, with insurers reasonably satisfactory to Lender, insurance with respect to its property and business against such casualties and contingencies, of such types and in such amounts, as is customary for established companies engaged in the same or similar business and similarly situated.

(d) Comply in all material respects with all laws applicable to Borrower and to the operation of its business (including without limitation any statute, ordinance, rule or regulation relating to employment practices, pension benefits or environmental, occupational and health standards and controls).

(e) Promptly provide to the Lender such other information respecting the Borrowers and their respective properties, assets, material contracts and other matters and information relating to the Borrowers and their respective business as Lender may from time to time reasonably request.

9. Negative Covenants. Borrowers, jointly and severally, agree that from the date of execution of this Note until this Note is repaid in full, each Borrower will not, without the Lender's prior written consent:

(a) Create, incur, assume or suffer to exist any Indebtedness for borrowed money other than: (i) this Note; (ii) open account trade debt incurred in the ordinary course of business; (iii) Indebtedness existing on the date of this Note, including without limitation, any Indebtedness to vendors for which one or more of the Borrowers has an outstanding payable as of the date of this Note -and which are related to services rendered to the solicitation of, legal representation related to and all other services related to the solicitation of shareholders' votes at the most recent shareholder meeting of Healthwarehouse.com, Inc.; (iv) Purchase Money Indebtedness with respect to fixed assets or inventory in an amount not in excess of \$500,000.00 in the aggregate outstanding; (v) Indebtedness incurred under any Rate Agreement entered into in connection with any otherwise permissible Indebtedness hereunder; and (vi) Subordinated Debt and equipment lease .

(b) Create, assume, incur or permit to exist any Lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property subject to any conditional sales or other title retention agreement, except for Permitted Liens

(c) Guarantee, endorse or become contingently liable for the obligations of any person, firm, corporation or other entity, except in connection with the endorsement and deposit of checks in the ordinary course of business for collection.

(d) Purchase or hold beneficially any stock, other securities or evidences of Indebtedness of, or make or have outstanding, any loans or advances to, or otherwise extend credit to, or make any investment or acquire any interest whatsoever in, any other person, firm, corporation or other entity; provided, however, that Borrower may do so with regards to any Borrower.

(e) Liquidate or dissolve, or merge or consolidate with or into any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or any substantial part of its property, assets, operations or business, whether now owned or hereafter acquired.

(f) Unless otherwise agreed by Lender and except for that certain amount on deposit with Branch Banking and Trust Company ("BB&T") that is subject to a hold by BB&T, Borrowers will deposit or maintain no funds with any brokerage, financial institution or other entity (a "Financial Institution") unless Lender shall have first: (i) approved such Financial Institution; and (ii) entered into such agreement or agreements with such Financial Institution as Lender deems necessary to maintain control of any accounts established by a Borrower or Borrowers therein for purposes of perfecting Lender's security interest in such accounts.

10. Definitions. All accounting terms used herein but not defined herein or in any other Loan Document have the meanings given to them by Generally Accepted Accounting Principles as promulgated by the Financial Accounting Standards Board in effect from time to time ("GAAP"). All capitalized terms used herein with reference to the Collateral and defined in the Uniform Commercial Code ("UCC") as adopted in the state of Ohio from time to time shall have the meaning given therein unless otherwise defined herein. Subject to the foregoing, the following terms shall have the meaning set forth below:

"*Business Day*" means any day other than a Saturday, a Sunday, or a federal holiday.

"*Collateral*" shall be as defined in the Security Agreement.

"*EBITDA*" means net income less interest expense less depreciation less amortization less stock-based compensation less non-recurring, unusual costs not limited to but including severance and proxy costs as reported in the company's financial statements filed with the SEC.

"*Indebtedness*" means, in relation to any Person, at any particular time, all of the obligations of such Person which, in accordance with GAAP, would be classified as Indebtedness upon a balance sheet including any footnote thereto of such Person prepared at such time.

"*Lien*" means any lien, mortgage, pledge, security interest, charge or other encumbrance of any kind, including any conditional sale or other title retention agreement, any lease in the nature thereof, any agreement to give any security interest, and the authorized filing by or against a Person of any financing statement as debtor under the UCC.

"*Obligations*" means, collectively, (a) all Indebtedness and other obligations incurred by any Borrower to Lender pursuant to this Note or the related Loan Documents; (b) each extension, renewal or refinancing thereof in whole or in part; (c) the fees payable under any Loan Document; (d) all reasonable costs and expenses paid or incurred by the Lender, including reasonable attorneys' fees, to correct any default or enforce any provision of the Loan Documents or collect any amounts due under the Note or other Loan Documents. Any reference in this Note or in the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals replacements, substitutions, and supplements, thereto and thereof, as applicable, both prior and subsequent to any bankruptcy or insolvency proceeding.

"*Organizational Documents*" means the documents necessary for the formation of an entity, which will include the Articles or Certificate of Incorporation and Code of Regulations or Bylaws if the entity is a corporation; the Articles or Certificate of Organization and Operating Agreement or Limited Liability Company Agreement, if any, if the entity is a limited liability company; the Partnership Agreement or Limited Partnership Agreement if the entity is a partnership; and the trust agreement if the entity is a trust; and in any other case the functional equivalent of the foregoing.

"*Permitted Liens*" mean (a) Liens held by Lender; (b) Liens for unpaid taxes that either (i) are not yet delinquent, or (ii) are the subject of Permitted Protests; (c) Liens disclosed in writing to and approved in writing by Lender, including without limitation those liens described in Schedule 10; (d) the interests of lessors under operating leases; (e) purchase money Liens or the interests of lessors under capital leases to the extent that such Liens or interests secure Purchase Money Indebtedness permitted hereunder and so long as such Lien attaches only to the asset purchased or acquired and the proceeds thereof; (f) Liens arising under any Rate Agreements permitted hereunder; (g) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of Borrower's business and not in connection with the borrowing of money, and which Liens are for sums not yet delinquent; (h) Liens arising from deposits made in connection with obtaining worker's compensation or other unemployment insurance; (i) Liens or deposits to secure performance of bids, tenders, or leases incurred in the ordinary course of Borrowers' business and not in connection with the borrowing of money, (j) Liens granted as security for surety or appeal bonds in connection with obtaining such bonds in the ordinary course of Borrowers' business; (k) Liens resulting from any judgment or award that is not an Event of Default hereunder; and (l) Liens arising from any vendor for which one or more of the Borrowers has an outstanding payable as of the date of this Note and which are related to services rendered to the solicitation of, legal representation related to and all other services related to the solicitation of shareholders' votes at the most recent shareholder meeting of Healthwarehouse.com, Inc.

"*Person*" means any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, institution, public benefit corporation, joint venture, entity or governmental body.

"*Purchase Money Indebtedness*" means (a) any Indebtedness incurred for the payment of all or any part of the purchase price of any fixed asset or inventory; (b) any Indebtedness incurred for the sole purpose of financing or refinancing all or any part of the purchase price of any fixed asset or inventory; and (c) any renewals, extensions or refinancings thereof (but not any increases in the principal amounts thereof outstanding at that time).

"*Rate Agreement*" means any foreign exchange contract, currency swap agreement, futures contract, commodities hedge agreement, interest rate protection agreement, interest rate future agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, option agreement or any other similar hedging agreement or arrangement entered into by one or more Borrowers in the ordinary course of business.

"*Subordinated Debt*" means any Indebtedness incurred, assumed or guaranteed by any Borrower which is subordinated in right of payment to the prior payment of the Obligations pursuant to a written debt subordination agreement or intercreditor agreement with term and conditions reasonably acceptable to Lender.

11. Events Of Default. The following events shall constitute events of default under this Note (each, an "Event of Default"):

(a) Borrowers fail to make any payment of principal and/or interest when and as the same shall become due and payable and such amount remains unpaid five (5) days after notice of non-payment is given to Borrowers by Lender;

(b) any representation or warranty made by a Borrower herein or in any of the other Loan Documents is or becomes incorrect in any material respect when made or at any time when Borrowers' Obligations to the Lender hereunder remain outstanding;

(c) the filing by or against any Borrower of any proceeding in bankruptcy, reorganization, debt adjustment or receivership, or any assignment by any Borrower for the benefit of creditors; provided, that any involuntary bankruptcy filed against a Borrower shall not be an Event of Default unless such involuntary bankruptcy case is not dismissed within 60 days;

(d) any Borrower fails to observe or perform any covenant, undertaking or agreement set forth herein or in any of the other Loan Documents and such failure is not remedied within 30 days after notice of such failure is given to Borrowers by Lender;

(e) on or after the date of this Note: (i) any Borrower defaults under any other agreement, instrument, contract, debt, liability or obligation individually or in the aggregate in excess of \$100,000.00 and in each such case, if such default shall continue for more than the period of grace, if any, specified therein; (ii) or fails to pay or to otherwise observe and perform any obligations imposed upon any Borrower under any Indebtedness in excess of \$100,000.00, other than the demand for redemption of the Series C Preferred Stock, and in each such case, if such default shall continue for more than the grace period, if any, specified therein ("Material Indebtedness"); or (iii) if any Borrower defaults under any other Indebtedness to any Lender, and in each such case, if such default shall continue for more than the period of grace, if any, specified therein;

(f) if any other event of default should occur under any other Loan Documents or any other document, agreement, or instrument evidencing, guarantying, securing or otherwise relating to the Indebtedness and obligations of any Borrower to any Lender (as "event of default" may be defined therein) and shall continue for more than the period of grace, if any specified therein;

(g) if any default shall occur under any equipment lease agreement or any other document, agreement, or instrument evidencing or otherwise relating to the lease of equipment by any Borrower from Lender, or any nominee of Lender, and shall continue for more than the period of grace, if any specified therein;

(h) if any default shall occur and continue for more than the period of grace, if any, under any Subordinated Debt;

(i) the dissolution of any Borrower, the cessation of business operations by a Borrower, or without Lender's prior written consent, the merger or consolidation of any Borrower with a third party, the lease, sale or other conveyance of a material part of the assets or business of any Borrower to a third party outside the ordinary course of its business, or the lease, purchase or other acquisition of a material part of the assets or business of a third party by any Borrower;

(j) the entry of any judgment or lien against any Borrower by or in favor of any third person in excess of \$100,000.00 which judgment or lien is not satisfied, discharged or bonded off or the subject of an appeal filed by Borrower in connection with same within thirty (30) days from the date of entry of said judgment or lien and/or which is not otherwise stayed;

(k) the commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of a Borrower or by any governmental agency against any Collateral securing the Loan; or

(l) any Borrower shall transfer assets to others (excluding any Borrower) for less than fair value or in other than the ordinary course of business, without Lender's prior written consent.

Upon the occurrence of an Event of Default, Lender may, at its option, without any demand or notice whatsoever other than as set forth herein, cease making advances and declare this Note and all Obligations to be fully due and payable in their aggregate amount, together with accrued interest and all prepayment premiums, fees, and charges applicable thereto.

12. Remedies. After the occurrence of an Event of Default, in addition to any other remedy provided in this Note, the Loan Documents or permitted by law, including, but not limited to those remedies provided to secured parties under the Uniform Commercial Code, if this Note is secured, Lender may at any time, without notice, apply the Collateral to this Note or such other Obligations, whether due or not, and Lender may, at its option, proceed to enforce and protect its rights by an action at law or in equity or by any other appropriate proceedings; provided that this Note and the Obligations shall be accelerated automatically and immediately if the Event of Default is a filing under the Bankruptcy Code. In addition, Lender may use, in connection with any assembly or disposition of the Collateral, if any, any trademark, trade name, trade dress, copyright, patent right, trade secret or technical process used or utilized by any Borrower. Lender may take such measures as Lender may deem necessary or advisable to preserve, collect, process, develop, maintain, protect, care for or insure the Collateral or any portion thereof; and each Borrower irrevocably appoints Lender or its designee as such Borrower's attorney-in-fact to do all acts and things in connection therewith and in particular, to endorse checks and other instruments payable to such Borrower. Borrowers shall pay all costs of collection incurred by Lender, including attorneys' fees, if this Note is referred to an attorney for collection, whether or not payment is obtained before entry of judgment. Lender's rights and remedies hereunder are cumulative, and may be exercised together, separately, and in any order. No delay on the part of Lender in the exercise of any such right or remedy shall operate as a waiver. No single or partial exercise by Lender of any right or remedy shall preclude any other further

exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Lender of any Event of Default shall be effective unless in writing and signed by Lender, nor shall a waiver on one occasion be construed as a waiver of any other occurrence in the future.

13. Default Rate; Fees.

(a) Upon and after the occurrence of an Event of Default, at the election of Lender, all interest accruing under this Note shall be increased by a per annum percentage equal to three percent (3%) over the otherwise applicable interest rate.

(b) Contemporaneously with the execution of this Note, Borrowers will reimburse Lender for all documented costs and expenses, including attorneys' fees related to the drafting, review and negotiation of this Note and the other Loan Documents up to a maximum reimbursement of \$11,000. Any costs and expenses of Lender in excess of \$11,000 shall be paid by Lender.

(c) Lender may impose a non-sufficient funds fee for any check that is presented for payment that is returned for any reason.

14. Entire Agreement. Borrowers agree that there are no conditions or understandings which are not expressed in this Note and the Loan Documents referred to herein.

15. Severability And Interpretation. The declaration of invalidity of any provision of this Note shall not affect any part of the remainder of the provisions. Unless the context otherwise indicates, the singular includes the plural and vice versa, the masculine includes the feminine and neuter, and the pronouns "herein" and the like refer to this entire Note.

16. Assignment. Each Borrower agrees not to assign any of such Borrower's rights, remedies or obligations described in this Note without the prior written consent of Lender, which consent may be withheld in Lender's sole discretion. Borrowers agree that any Lender may assign some or all of its rights and remedies described in this Note without notice to, or prior consent from, Borrowers.

17. Modification; Waiver Of Lender. The modification or waiver of any of Borrowers' obligations or Lender's rights under this Note must be contained in an instrument in writing signed by Lender. Lender may perform Borrowers' obligations, or delay or fail to exercise any of its rights or remedies, without causing a waiver of those obligations or rights. A waiver on one occasion shall not constitute a waiver on another occasion. Borrowers' obligations under this Note shall not be affected if Lender amends, compromises, exchanges, fails to exercise, impairs or releases (i) any of the obligations belonging to any co-borrower, endorser or guarantor, (ii) any of its rights against any co-borrower, guarantor or endorser, or (iii) the Collateral or any other property securing the Obligations.

18. Waiver Of Borrowers. Each Borrower, and any endorsers and guarantors hereof, and all others who may become liable for all or any part of the Indebtedness evidenced by this Note, severally waive diligence, presentment for payment, protests, notice of dishonor and of nonpayment and protest, and do hereby consent to any number of forbearances, renewals or extensions of the time of payment hereof, releases or substitutions of all or any part of the security for the payment hereof or release of any party liable for this obligation and waive all defenses based upon suretyship or impairment of collateral. Any such extension or release may be made without notice to any of said parties and without discharging their liability. Each Borrower hereby waives all relief from any and all appraisal, valuation or exemption laws now in force or hereafter enacted.

19. Notices. All notices authorized or required to be given herein shall be in writing and delivered by personal delivery, certified mail or nationally recognized overnight courier service to the address of the party set forth herein. Any party may designate by notice in writing a new address to which said notices or demands must be sent. Delay or failure of delivery to any person designated to receive a copy of any notice shall not affect the validity of the delivery to the party. Notices hereunder will be effective upon delivery if delivered by personal delivery; one (1) day after they are deposited with an overnight courier if delivered by overnight courier; and three (3) business days after they are deposited with the U.S. Postal Service, postage prepaid if delivered by certified mail. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be considered to be effective in accordance with the foregoing regardless of actual receipt by the addressee.

20. Time Is Of The Essence. Time is of the essence in carrying out all of the provisions in this Note.

21. Multiple Borrowers. If there is more than one Borrower, then each and every reference to any and all representations, warranties, covenants and undertakings of Borrower herein shall be deemed to apply to each of the undersigned, jointly and severally.

22. Governing Law; Consent To Jurisdiction. The undersigned agree that inasmuch as this Note and the Loan Documents are to be executed by Borrowers and accepted by Lender in Cincinnati, Ohio and the funds to be disbursed under the Loan are to be disbursed in Ohio, this instrument and the rights and obligations of all parties hereunder shall be governed by and construed under the substantive laws of the State of Ohio, without reference to the conflict of laws principles that would result in the application of the laws of any

state other than the State of Ohio. Lender and Borrowers hereby designate all courts of record sitting in Cincinnati, Ohio, both state and federal, as forums where any action, suit or proceeding in respect of or arising out of this Note, Loan Documents, or the transactions contemplated by this Note may be prosecuted as to all parties, their successors and assigns, and by the foregoing designations Lender and Borrower consents to the jurisdiction and venue of such courts. **EACH BORROWER WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAWS OF ANY OTHER STATE TO OBJECT TO JURISDICTION WITHIN THE STATE OF OHIO FOR THE PURPOSES OF LITIGATION TO ENFORCE SUCH OBLIGATIONS OF SUCH BORROWER.** In the event such litigation is commenced, each Borrower agrees that service of process may be made and personal jurisdiction over Borrower obtained by service of a copy of the summons, complaint and other pleadings required to commence such litigation upon Borrower at the address set forth in this Note. Each Borrower recognizes and agrees that the agency has been created for the benefit of Borrowers and Lender and agree that this agency shall not be revoked, withdrawn or modified without the consent of Lender.

23. Jury Waiver. The parties hereto acknowledge and agree that there may be a constitutional right to a jury trial in connection with any claim, dispute or lawsuit arising between or among them, but that such right may be waived. Accordingly, the parties agree that, notwithstanding such constitutional right, in this commercial matter the parties believe and agree that it shall be in their best interests to waive such right, and, accordingly, hereby waive such right to a jury trial, and further agree that the best forum for hearing any claim, dispute, or lawsuit, if any, arising in connection with this Note, the Loan Documents, or the relationship among the parties hereto, in each case whether now existing or hereafter arising, or whether sounding in contract or tort or otherwise, shall be a court of competent jurisdiction sitting without a jury.

24. CONFESSION OF JUDGMENT. Borrowers hereby irrevocably authorize any attorney at law to appear for Borrowers in any action on this Note, in any court of record in Ohio or in any other state in the United States, at any time after this Note becomes due by default, whether by lapse of time, on demand or otherwise, and to waive the issuance and services of process and all other constitutional rights of due process, and confess judgment against Borrowers in favor of the holder hereof for the amount due hereon, together with costs of suit, and thereupon to waive and release all errors and all rights of appeal and stays of execution. Upon the vacation of any judgment or judgments rendered hereon for any reason, the holder hereof shall be restored to the same rights and Borrowers shall be subject to the same obligations as existed upon this Note and the within warrant of attorney prior to the rendition of such judgment or judgments; further, said warrant of attorney shall continue in effect so long as the indebtedness evidenced hereby is enforceable and notwithstanding any judicial determination of the amount due. Borrowers, with full knowledge of constitutional rights and other rights, voluntarily waives all rights to notice and hearing prior to judgment being so confessed.

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IN WITNESS WHEREOF, the undersigned Borrowers, by their duly authorized officers, have signed this Note as of the date set forth above.

This Note was executed in Hamilton County, Ohio.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THIS NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

WARNING: BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME, A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE, AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU, REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR, WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT OR ANY OTHER CAUSE.

BORROWERS:

HEALTHWAREHOUSE.COM, INC.

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

HWAREH.COM, INC.

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

HOCKS.COM, INC.

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

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SECURITY AGREEMENT

This Commercial Security Agreement ("Agreement") is made as of the 7th day of April, 2017, by **HEALTHWAREHOUSE.COM, INC.**, a Delaware corporation, **HWAREH.COM, INC.**, a Delaware corporation, and **HOCKS.COM, INC.**, an Ohio corporation, all with an address at 7107 Industrial Road, Florence, Kentucky 41042 (each a "Grantor") in favor of **KAPOK VENTURES LIMITED**, a British Columbia corporation, c/o Magnus LLP, 430 Five Donald Street, Winnipeg, Manitoba, Canada, R3L 2T4 (together with its successors and assigns, the "Lender") (collectively, the "Lender"), with respect to the Obligations of **HEALTHWAREHOUSE.COM, INC.**, a Delaware corporation, **HWAREH.COM, INC.**, a Delaware corporation, and **HOCKS.COM, INC.**, an Ohio corporation (collectively, the "Borrower").

1. **Definitions.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code as adopted in the State of Ohio:

a. "Account" - means an Account as defined in the Uniform Commercial Code in the State of Ohio as in effect from time to time, and in any event shall include, but not be limited to, all of Grantor's rights to payment for goods sold or leased or services performed by Grantor, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, accounts receivables, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, whether or not such right(s) to payment has been earned by performance, and whether or not such right(s) to payment is evidenced by any document, instrument or chattel paper, together with (a) all security pledged, assigned, hypothecated or granted to or held by Grantor to secure the foregoing, (b) all of Grantor's right, title and interest in and to any goods, the sale of which gave rise thereto, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (e) all books, correspondence, credit files, records, ledger cards, invoices, and other papers relating thereto, including, without limitation, all tapes, cards, computer runs and other papers and documents in the possession or under the control of Grantor or any computer bureau from time to time acting for Grantor, (f) all evidences of the filing of financing statement and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (g) all credit information, reports and memoranda relating thereto, and (h) all other writings related in any way to the foregoing.

b. "Agreement" - means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

c. "Borrower" - has the meaning set forth in the preamble to this Agreement.

d. "Collateral" - means all of Grantor's right, title and interest in and to all the Collateral as described in Section 3 of this Agreement.

e. "Chattel Paper" - means all Chattel Paper as such term is defined in the Uniform Commercial Code in the State of Ohio as in effect from time to time, in which Grantor now has or hereafter acquires any rights and wherever located and, in any event, shall include a writing or writings which evidence both a monetary obligation and a security interest in or lease of specific goods; any returned, rejected or repossessed goods covered by any such writing or writings and all proceeds (in any form including, without limitation, accounts, contract rights, documents, chattel paper, instruments and general intangibles) of such returned, rejected or repossessed goods.

f. "Commercial Tort Claims" - means Commercial Tort Claims as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor.

g. "Contingent Obligation(s)" - means any direct or indirect liability, contingent or otherwise, with respect to any Indebtedness, lease, dividend, letter of credit, banker's acceptance or other obligation of another if the primary purpose or intent thereof, as determined by Lender, in incurring the Contingent Obligation is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof. Contingent Obligations shall include, without limitation, (i) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another; (ii) indebtedness, obligations or liabilities of another secured by a lien on property owned by a Borrower, even though the Borrower has not assumed or become liable for the payment therefor; (iii) any liability for the obligations of another through any agreement (contingent or otherwise):

(A) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), (B) to maintain the solvency of any balance sheet item, level of income or financial condition of another, or (C) to make take-or-pay, pay-or-play or similar payments if required regardless of nonperformance by any other party or parties to an agreement, if in the case of any agreement described under sub clauses (A), (B) or (C) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported, as determined by Lender.

h. "Copyrights" – means all copyrights, copyright registrations and copyright applications now held or hereafter acquired by Grantor including, without limitation, any United States copyright to which Grantor now or hereafter has an interest as well as any application for a United States copyright made by Grantor, together with any renewals, reissues and extensions thereof, and any and all causes of action which may exist by reason of infringement thereof with the right to sue for and collect said damages and the right to collect all royalties under any license agreements with respect to any such Copyrights.

i. "Default" - means a Default as set forth in Section 10 of this Agreement.

j. "Deposit Accounts" – means Deposit Accounts as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor.

k. "Documents" – means Documents as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor.

l. "Environmental Laws" - mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, at seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, k seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, at seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

m. "Equipment" – means Equipment as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, now or hereafter owned or leased by Grantor and, in any event, shall include, but shall not be limited to, all machinery, tools, equipment, office equipment, furniture, furnishings, fixtures, trade fixtures, goods which are to become fixtures, vehicles, motor vehicles, and any materials, instructions, blueprints, computer software and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto (all of the foregoing in this section collectively, the "Equipment").

n. "Event of Default" - mean any of the events of default set forth in this Agreement in the default section of this Agreement.

o. "General Intangibles" – means General Intangibles as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor, now or hereafter owned by Grantor and shall include, but not be limited to, all (1) Marks, Patents and Copyrights (as such terms are hereinafter defined), (2) goodwill of Grantor's business symbolized by any of the foregoing, (3) license rights, license agreements, leases, permits, franchises, patents, computer software and customer lists, (4) any rights to tax refunds to which Grantor is now or hereafter may be entitled, (5) payment intangibles, and (6) all rights, of whatever form, now existing or hereafter acquired, in and to domain names (including, but not limited to, healthwarehouse.com, hwareh.com, hocks.com and other domain names identified in Schedule 7(r) attached hereto (the "Domain Names")).

p. "Grantor" – has the meaning set forth in the preamble to this Agreement. If there is more than one Grantor, then each and every reference to any and all representations, warranties, covenants and undertakings of Grantor herein shall be deemed to apply to each of the undersigned Grantors, jointly and severally.

q. "Guaranty" - means a guaranty of all or any part of the Obligations of Borrower from a guarantor, endorser, surety, or accommodation party in favor of Lender, including without limitation a guaranty of all or part of the Note.

r. "Hazardous Substances" - mean materials that, because of their quantity, concentration of physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

s. "Indebtedness" - means, in relation to any Person, at any particular time, all of the obligations of such Person which, in accordance with GAAP, would be classified as indebtedness upon a balance sheet including any footnote thereto of such Person prepared at such time.

t. *"Instruments"* – means Instruments, as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor, and shall include but not be limited to any and all negotiable instruments or certified securities or any other writings which evidence a right to payment of money and are not themselves security agreements or leases and are of the type which are in the ordinary course of business transferred by delivery with any necessary endorsement or assignment.

u. *"Inventory"* – means Inventory as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor, whether now owned or hereafter acquired and wherever located, whether raw, in process or finished, all materials usable in processing the same and all documents of title covering any inventory, including, but not limited to, work in process, materials used or consumed in Grantor's business, now owned or hereafter acquired or manufactured by Grantor and held for sale or lease or to be furnished under a contract of service in the ordinary course of its business; all present and future substitutions therefor, parts and accessories thereof and all additions thereto; all proceeds thereof and products of such inventory in any form whatsoever.

v. *"Investment Property"* – means Investment Property as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor.

w. *"Lender"* – has the meaning set forth in the preamble to this Agreement.

x. *"Letter of Credit Rights"* – means Letter of Credit Rights as such term is defined in the Uniform Commercial Code of the State of Ohio as in effect from time to time, of Grantor.

y. *"Loan Documents"* or *"Related Documents"* - mean all loan agreements, credit agreements, promissory notes, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Obligations related to the Note.

z. *"Marks"* – means all trademarks, trademark registrations and trademark applications pending, now held or hereafter acquired by Grantor, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or any similar governmental agency in any foreign country (which Grantor has adopted and used and is using or hereafter acquires or under which Grantor is licensed), as well as all other trademarks, trade names, fictitious business names, business names, company names, business identifiers, prints, labels, trade styles and service marks not registered, and trade dress, including logos and/or designs owned or used by Grantor together with the registrations and right to all renewals, reissues and extensions thereof, the goodwill of the business of the Grantor symbolized by the Marks, and any and all causes of action which may exist by reason of infringement or dilution thereof, or injury to the associated goodwill with the right to sue for and collect said damages and the right to collect all royalties under any license agreements with respect to any such Marks.

aa. *"Note"* - means that certain Cognovit Promissory Note of even date herewith in the original principal amount of \$1,000,000.00 executed and delivered by Borrower to Lender.

bb. *"Obligation(s)"* - means, collectively, (a) all Indebtedness and other obligations incurred by any Borrower to Lender, whether pursuant to this Note or another instrument; (b) each extension, renewal or refinancing thereof in whole or in part; (c) the fees payable under any Loan Document; (d) every other liability, now or hereafter owing to Lender or any affiliate of any Lender by any Borrower; (e) all of Lender's expenses incurred in connection with this Loan, including without limitation, reasonable costs and expenses paid or incurred by the Lender to correct any default or enforce any provision of the Loan Documents; and (f) every other liability, whether owing by a Borrower alone or by a Borrower with one or more others in a several, joint or joint and several capacity, whether owing absolutely or contingently, whether created by note, overdraft, guaranty of payment or other contract or by quasi-contract, tort, statute or other operation of law, whether incurred directly to a Lender or any affiliate of a Lender or acquired by a Lender or any affiliate of a Lender by purchase, pledge or otherwise and whether participated to or from a Lender or any affiliate of a Lender in whole or in part . Any reference in this Note or in the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals replacements, substitutions, and supplements, thereto and thereof, as applicable, both prior and subsequent to any bankruptcy or insolvency proceeding.

cc. *"Patents"* – means all letters patent and any patent registrations, and any patent applications pending, including, without limitation, registrations, recordings and applications registered or recorded in the United States Patent and Trademark Office or any similar governmental agency in any foreign country, in respect of which Grantor possesses any rights whatsoever, together with any renewals, reissues, continuations and extensions thereof, any and all causes of action which may exist by reason of infringement thereof with the right to sue for and collect said damages and the right to collect all royalties under any license agreements with respect to any such Patents.

dd. *"Person"* - means an individual, a company, a corporation, an association, a partnership, a joint venture, a limited liability company, an unincorporated trade or business enterprise, a trust, an estate, or other legal entity or a government (national, regional or local), court, arbitrator or any agency, instrumentality or official of the foregoing.

2. Grant Of Security Interest. For valuable consideration, Grantor hereby grants to Lender a security interest in the Collateral to secure all Obligations of Borrower to Lender related to the Note and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

3. Collateral. As used in this Agreement "Collateral" means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

a. All Accounts, Chattel Paper, Commercial Tort Claims, Copyrights, Deposit Accounts, Documents, Equipment, General Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, and Marks (all as defined above).

b. In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- i. All accessions, attachments, accessories, tools, parts, supplies, replacements and additions to any of the collateral described herein, whether added now or later.
- ii. All products and produce of any of the property described in this Collateral section.
- iii. All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- iv. All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- v. All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

c. Despite any other provision of this Agreement, Lender is not granted, and will not have, a non-purchase money security interest in household goods, to the extent such a security interest would be prohibited by applicable law. In addition, if because of the type of any Property, Lender is required to give a notice of the right to cancel under Truth in Lending for the Indebtedness, then Lender will not have a security interest in such Collateral unless and until such a notice is given.

4. No Cross-Collateralization. This Agreement secures only those obligations, debts and liabilities (plus interest thereon), of Borrower to Lender related to the Note, as well as all claims by Lender against Grantor or any one or more of them, related to the Note, whether now existing or hereafter arising, whether voluntary or otherwise, whether due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated and whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

5. INTENTIONALLY DELETED.

6. Financing Statements. The Grantor hereby irrevocably authorizes the Lender to authenticate and file such financing statements, continuation statements, amendments and such other documents as the Lender may deem necessary or desirable to protect or perfect the interest of the Lender in the Collateral, electronically or otherwise, and appoints the Lender as the Grantor's attorney-in-fact, with a power of attorney to execute on the Grantor's behalf such Uniform Commercial Code financing statement forms, continuation statements, amendments and other similar instruments as the Lender may from time to time deem necessary or desirable to protect or perfect such interests in the Collateral. Such power of attorney is coupled with an interest and shall be irrevocable. In addition, the Grantor agrees to make, execute, furnish, deliver or cause to be done, furnished, executed and delivered all such further acts, information, documents and things as the Lender may require for the purpose of perfecting or protecting the rights of the Lender hereunder or otherwise giving effect to this Agreement, all promptly upon request therefor. Nothing contained in this paragraph shall be a limitation of the rights of Lender as a Secured Party under the Uniform Commercial Code.

7. Grantor's Representations And Warranties With Respect To The Collateral. With respect to the Collateral, Grantor represents and promises to Lender that:

a. *Perfection of Security Interest.* Grantor agrees to execute any documents and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will

deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Grantor agrees to take any other and further action necessary or desirable as requested by Lender to grant Lender control over the Collateral, as "control" is defined in the applicable version of the Uniform Commercial Code, including without limitation (i) executing and/or authenticating any assignments or third party agreements; (ii) delivering, or causing the delivery of, any of the Collateral to the possession of Lender; or (iii) obtaining written acknowledgements of the lien of Lender and agreements of subordination to such lien from third parties in possession of the Collateral in a form acceptable to Lender. Borrower consents to and hereby authorizes any third party in an authenticated record or agreement between Borrower, Lender, and the third party, including but not limited to depository institutions, securities intermediaries, and issuers of letters of credit or other support obligations, to accept direction from Lender regarding the maintenance and disposition of the Collateral and the products and proceeds thereof, and to enter into agreements with Lender regarding same, without further consent of the Borrower. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

b. Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (i) change in Grantor's name; (ii) change in Grantor's assumed business name(s); (iii) change in the management of the corporation Grantor; (iv) change in the authorized signer(s); (v) change in Grantor's principal office address; (vi) conversion of Grantor to a new or different type of business entity; (vii) change in the location of Grantor (as defined in the Ohio Uniform Commercial Code); or (viii) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has been notified.

c. No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws or code of regulations do not prohibit any term or condition of this Agreement.

d. Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any Account becomes subject to a security interest in favor of Lender, the Account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

e. Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (i) all real property Grantor owns or is purchasing; (ii) all real property Grantor is renting or leasing; (iii) all storage facilities Grantor owns, rents, leases, or uses; and (iv) all other properties where Collateral is or may be located.

f. Removal of the Collateral. Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Ohio, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

g. Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

h. Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

i. Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

j. Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

k. Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Loan Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

l. Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

m. Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

n. Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least twenty (20) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

o. Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

p. Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

q. Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

r. Domain Names, Copyrights, and Marks. With respect to the Domain Names, Copyrights, and Marks, Grantor represents and warrants as follows:

- i. Grantor is the sole owner of the Domain Names, Copyrights, and Marks, and Grantor's rights in and to the Domain Names, Copyrights, and Marks are not subject to any liens, claims, or encumbrances other than the security interest contemplated hereby.
- ii. The Domain Names are the only Internet domain names used in the conduct of Borrower's business.
- iii. The servers upon which the DNS records for the Domain Names reside are under the control of those persons set forth on Schedule 7(r), attached hereto.
- iv. The Domain Names are registered under an agreement (each a "Registration Agreement") with those registrars set forth on Schedule 7(r) (each a "Domain Name Registrar"). Grantor shall not change the identity of the Domain Name Registrar without the prior written consent of the Lender.
- v. Grantor shall at all times during the term hereof keep the Registration Agreement in full force and effect and remain in full compliance under the Registration Agreement, including, but not limited to, paying all fees and charges due and payable thereunder on or prior to the due date thereof.
- vi. Grantor shall fully defend any and all challenges to Grantor's ownership of and/or rights to use the Domain Names.

8. Grantor's Right To Possession And To Collect Accounts. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Loan Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in its sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

9. Lender's Expenditures. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Loan Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement, the Registration Agreement or any Loan Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with

any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

10. Default. Each of the following shall constitute an Event of Default under this Agreement:

a. Payment Default. Borrower fails to make any payment when due under the Obligations and such failure continues for more than the period of grace, if any, specified therein.

b. Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement, the Note or in any of the Loan Documents or the Registration Agreement or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor and such failure continues for more than the grace period, if any, set forth therein, or an Event of Default shall occur under the Note, any Loan Documents or the Registration Agreement.

c. False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement, the Note, or the Loan Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

d. Defective Collateralization. This Agreement or any of the Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

e. Insolvency. The dissolution or termination of Grantor's existence as a going business, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

f. Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

g. Events Affecting Guarantor. Any of the preceding events occurs with respect to guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. Notwithstanding the foregoing, it shall not be an Event of Default if, in the sixty days following the death or incompetency of such Guarantor, the Grantor provides Lender with a replacement guarantor reasonably acceptable to Lender.

11. Rights And Remedies On Default. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Ohio Uniform Commercial Code. In addition and without limitation, Lender, directly or through its agent, may exercise any one or more of the following rights and remedies:

a. Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

b. Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

c. Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least fifteen (15) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

d. Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

e. Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

f. Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

g. Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

h. No Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Loan Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

12. COLLATERAL AGENT. Subject to the required vote described above in Section 5, Lender may appoint an agent authorized by Lender to take all actions necessary or appropriate and to exercise all rights and powers and to perform all duties required of Lender under this Agreement. If such agent is appointed, Grantor will be advised in writing of the appointment and identity of such agent, which agent may, but is not required to be, a Lender. Once appointed, unless advised of the removal or replacement of such agent in writing by Lender, all parties are authorized to rely on any actions, information, directions, authorizations or other acts of agent in connection with this Agreement as if such agent were the Lender. Any action that may be taken by Lender may be taken by agent on Lender's behalf hereunder.

13. MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

a. Amendments. This Agreement, together with any Loan Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

b. Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

c. Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

d. Governing Law. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of Ohio. This Agreement has been accepted by Lender in the State of Ohio.

e. No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver

of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

f. Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

g. Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable, If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

h. Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

i. Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

j. Time is of the Essence. Time is of the essence in the performance of this Agreement.

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EACH GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS.

GRANTOR:

HEALTHWAREHOUSE.COM, INC.

HWAREH.COM, INC.

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

HOCKS.COM, INC.

By: /s/ Robert Smyjunas
Robert Smyjunas, Director and Authorized Representative

HEALTHWAREHOUSE.COM, INC.

**SHARES OF COMMON STOCK
SUBSCRIPTION AGREEMENT**

This Agreement, dated as of _____, 2017, is made and entered into between HealthWarehouse.com, Inc., a Delaware corporation (the "Company"), and _____ (the "Investor"). This Agreement sets forth the terms under which the Investor will purchase from the Company _____ shares of the Company's \$0.001 par value per share Common Stock (the "Shares" or the "Securities") for a purchase price of \$ _____ per share and an aggregate purchase price of \$ _____ (the "Purchase Price") as set forth below.

NOTICE TO INVESTOR: THE SECURITIES PURCHASED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY BE NOT OFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS OR EXEMPTION THEREFROM. FURTHER RESTRICTIONS ON TRANSFERABILITY OF THE SECURITIES ARE CONTAINED IN THIS AGREEMENT.

1. **Subscription.** Subject to the terms of this Agreement, the Investor hereby subscribes for the Securities, and on the date hereof will tender the Purchase Price in the form of a certified check or bank check or wired funds payable to "HealthWarehouse.com, Inc."

2. **Representations and Warranties of Investor.** The Investor is making the following representations, warranties and agreements with the intent that they be relied upon in determining his suitability to purchase the Securities, and the Investor agrees that such representations, warranties and agreements shall survive the date of this Agreement and his purchase of the Securities. Investor hereby represents and warrants to, and agrees with, the Company, and each of its officers, directors, persons who control the Company and affiliates of the foregoing, as follows:

2.1 Investor meets at least one of the following standards, and accordingly, is an "accredited investor" within the meaning of Rule 501 promulgated under the 1933 Act (please initial the applicable alternative in the space provided):

_____ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase, exceeds \$1,000,000, excluding the value of the primary residence of such natural person, calculated by subtracting from the estimated fair market value of the property the amount of debt secured by the property, up to the estimated fair market value of the property;

_____ A natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who reasonably expects to reach the same income level in the current year;

_____ A corporation, partnership, Massachusetts or similar business trust, or an organization described in Section 501(c)(3) of the Internal Revenue Code, with total assets in excess of \$5,000,000, which was not formed for the specific purpose of acquiring the Units;

_____ An employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is to be made by a plan fiduciary, as defined in Section 3 (21) of such Act, which is either a bank, insurance company, or registered investment adviser; or an employee benefit plan with total assets in excess of \$5,000,000, or a self-directed employee benefit plan, whose investment decisions are made solely by persons that are Accredited Investors;

_____ A trust, with total assets in excess of \$5,000,000, which was not formed for the specific purpose of acquiring the Units, whose purchase is directed by a sophisticated person;

_____ A bank, savings and loan, or similar institution, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company; an investment company

registered under or a business development company as defined in the Investment Company Act of 1940; or a Small Business Investment Company licensed by the U.S. Small Business Administration;

_____ An entity in which all of the equity owners are Accredited Investors under the above paragraphs.

2.2 The Investor (i) is, if a natural person, at least twenty-one (21) years of age, and (ii) is a bona fide permanent resident of and is domiciled in the state shown in the address line of Investor's signature page to this Agreement, and has no present intention of becoming a resident of any other state or jurisdiction.

2.3 The Investor has received if requested or has access to and has reviewed the Company's reports and filings required to be filed by the Company with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act"), including, without limitation the Company's Form 10-K filed March 21, 2017.

2.4 The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of an investment in the Securities and of making an informed investment decision, and is not utilizing any other person to be the Investor's representative in connection with evaluating such merits and risks.

2.5 The Investor is acquiring the Securities for his own account, for investment purposes only, and not with a view toward the resale, syndication, distribution, subdivision or fractionalization thereof, and has no present intention of selling or transferring or otherwise distributing the same. The Investor has no need for liquidity in this investment, has the ability to bear the economic risk of this investment, at the present time and in the foreseeable future, can afford a complete loss of this investment, and this investment constitutes an appropriate investment for and is not in violation of any investment restrictions (whether by statute, contract or otherwise) binding upon the Investor.

2.6 The Investor is aware that all documents, records and books pertaining to this investment are available at the offices of the Company at 7107 Industrial Road, Florence, Kentucky 41042, and acknowledges that all documents, records and books pertaining to this investment requested by the Investor have been made available to the Investor and the persons the Investor has retained, if any, to advise him with respect to this investment, and the Investor and such persons have been supplied with such additional information concerning this investment as has been requested.

2.7 The Investor has been given the opportunity to discuss his investment in, and the operation of, the Company with the Company's management and has been given all information that the Investor has requested and which the Investor deems relevant to his decision to invest in the Company. The Investor has consulted such legal, financial and tax advisers as have been necessary to evaluate the merits and risks of this investment. The Investor acknowledges and is aware that the Company has a limited financial and operating history.

2.8 The Investor agrees that the Securities (including any interest therein) will not be sold or otherwise disposed of by the Investor unless either (i) the sale or other disposition will be pursuant to a registration statement under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable securities laws of any state or other jurisdiction; or (ii) the Investor shall have notified the Company in writing of any desire on the part of the Investor to sell or dispose of all or part of the such Securities and of the manner and terms of the proposed transaction, and the Company shall have been advised in writing by counsel acceptable to it that no registration of such Securities under the 1933 Act, or the rules and regulations then in effect thereunder, or any applicable state securities laws, is required in connection with the proposed sale or other disposition. The Investor acknowledges that the Company is under no obligation whatsoever in connection with any such registration or exemption. The Investor acknowledges that all certificates evidencing ownership of the Securities, or any replacement thereof, shall bear an appropriate legend to the effect that the securities evidenced by such certificate or instruments are subject to these terms.

2.9 All information provided by the Investor to the Company is true and correct in all respects as of the date hereof, and if there should be any material change in such information either prior to the Company accepting the Investor's subscription or thereafter, the Investor will immediately furnish such revised or corrected information to the Company.

2.10 The Investor understands that no federal or state agency has passed on or made any recommendation or endorsement of the Securities and that the Company is relying on the truth and accuracy of the representations warranties and agreements made by him in offering the Securities for sale to him without having first registered the same under the 1933 Act.

2.11 The Investor acknowledges that there have been no representations, guarantees or warranties made to him by the Company, its officers, directors, controlling persons, agents or employees or any other person, expressly or by implication, with respect to the amount of or type of consideration, profit or loss (including tax benefits) to be realized, if any, as a result of his investment.

3. Indemnification. The Investor agrees to indemnify and hold harmless the Company and its directors and officers, their affiliates or anyone acting on behalf of the Company from and against any and all damages, losses, costs and expenses (including reasonable attorneys, fees) which they may incur by reason of the failure of Investor to fulfill any of the terms or conditions of this Agreement, or by reason of any breach of the representations and warranties made by the Investor herein, or in any document provided by the Investor to the Company.

4. Transferability. The Investor agrees that he shall not transfer or assign this Agreement or any interest herein, and any such transfer or assignment purported to be made shall be null and void and of no effect.

5. General Provisions.

5.1 This Agreement constitutes the entire agreement between the parties and supersedes and cancels any other agreement, or representation or communication, whether oral or written, between the parties relating to the transactions contemplated herein or the subject matter hereof.

5.2 This Agreement may be executed in more than one counterpart which shall, in the aggregate, be deemed to be the original instrument and agreement between the parties, and copies signed and transmitted electronically in a form readable by the recipient or by facsimile are as binding as if the original was signed in person.

5.3 Any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to any party hereto by any other party hereto shall be, unless otherwise required by law, in writing and deemed duly served and given when actually received either (i) in an electronic form readable by the recipient, or (ii) when delivered by facsimile, or (iii) when delivered by hand, by recognized express delivery services or via the United States mail, certified or registered, return, receipt requested, postage prepaid, addressed to the Company at its principal offices at 7107 Industrial Road, Florence, Kentucky 41042, and to the Investor at its address as set forth on the signature page to this Agreement or otherwise transmitted to the Company from time to time.

5.4 No term hereof may be changed, waived, discharged or terminate orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

5.5 The headings in this Agreement are for the purposes and convenience of reference only and shall not be deemed to constitute a part hereof.

5.6 This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without reference to its principles of conflict of laws. Any action to enforce the terms of this Agreement shall be brought in a court of competent jurisdiction located in Hamilton County, Ohio.

5.7 The benefits of this Agreement shall inure, and the obligations of this Agreement shall be binding upon, the personal representatives, heirs, legatees, permitted successors and assigns of the parties hereto.

5.8 The Investor agrees that the Investor may not cancel, terminate, or revoke this Agreement or any agreement of the Investor made hereunder.

5.9 Except as otherwise provided in this Agreement, each party to this Agreement shall pay any and all fees and expenses that such party may incur in connection with the negotiation, execution and closing of the transactions contemplated by this Agreement.

(Signatures start on next page)

HEALTHWAREHOUSE.COM, INC.
SUBSCRIPTION AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the Investor has executed this Subscription Agreement on the date indicated below.

NAME of Subscriber (print/type)

NAME of Subscriber (print/type)

Authorized SIGNATURE of Subscriber

Authorized SIGNATURE of Subscriber

Address

Address

City State Zip

City State Zip

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Social Security Number

Social Security Number

Date _____

Signed: Date _____
Signed: _____

If the Investor is a corporation, partnership, trust or other entity, or is otherwise acting as a fiduciary, the name and capacity (title) of the individual executing this Agreement on the Investor's behalf should be printed or typed below the signature.

PLEASE SUPPLY THE FOLLOWING INFORMATION:

Manner in which title is to be held; (Check one)

<input type="checkbox"/>	Individual Ownership	<input type="checkbox"/>	Partnership*
<input type="checkbox"/>	Individual Retirement Account	<input type="checkbox"/>	Trust*
<input type="checkbox"/>	Qualified Retirement Plan	<input type="checkbox"/>	Corporation*
<input type="checkbox"/>	Other	<input type="checkbox"/>	Limited Liability Company*

(Please indicate)

* In the case of a partnership, state names of all partners and attach a copy of the partnership agreement. In the case of a corporation, attach a copy of the articles of incorporation together with the resolution of the board of directors authorizing this investment. In the case of a limited liability company, attach a copy of the articles of organization and operating agreement and a copy of any required member or manager resolutions authorizing this investment. In the case of a trust, attach a copy of the trust agreement.

ACCEPTANCE

HealthWarehouse.com, Inc. hereby accepts and agrees to be bound by the foregoing subscription subject to the terms and conditions hereof as of the date indicated below.

INC.

HEALTHWAREHOUSE.COM,

By:
Name:
Title:
Date

Signed: