HEALTHWAREHOUSE.COM, INC.

FORM 10-Q
(Quarterly Report)

Filed 11/13/15 for the Period Ending 09/30/15

Address 7107 INDUSTRIAL ROAD
           FLORENCE, KY 41042
Telephone (513) 618-0911
CIK 0000754813
Symbol HEWA
SIC Code 5912 - Drug Stores and Proprietary Stores
Industry Retail (Drugs)
Sector Services
Fiscal Year 12/31
HealthWarehouse.com, Inc.
(Exact Name of Registrant as Specified in Its Charter)

(800) 748-7001

(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐
Non-accelerated Filer ☐ Smaller Reporting Company ☒
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 37,570,383 shares of Common Stock outstanding as of November 12, 2015.
# Table of Contents

HEALTHWAREHOUSE.COM, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

**TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>PART I – FINANCIAL INFORMATION</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1. Financial Statements.</td>
<td>3</td>
</tr>
<tr>
<td>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</td>
<td>15</td>
</tr>
<tr>
<td>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</td>
<td>21</td>
</tr>
<tr>
<td>Item 4. Controls and Procedures.</td>
<td>21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART II – OTHER INFORMATION</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1. Legal Proceedings.</td>
<td>22</td>
</tr>
<tr>
<td>Item 1A. Risk Factors.</td>
<td>22</td>
</tr>
<tr>
<td>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</td>
<td>22</td>
</tr>
<tr>
<td>Item 3. Defaults upon Senior Securities.</td>
<td>22</td>
</tr>
<tr>
<td>Item 4. Mine Safety Disclosures.</td>
<td>22</td>
</tr>
<tr>
<td>Item 5. Other Information.</td>
<td>22</td>
</tr>
<tr>
<td>Item 6. Exhibits.</td>
<td>23</td>
</tr>
</tbody>
</table>

**SIGNATURES**

- 2 -
## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$25,242</td>
<td>$506,019</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>$159,011</td>
<td>$195,088</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance of $47,143 and $47,233 as of September 30, 2015 and December 31, 2014</td>
<td>$79,988</td>
<td>$100,886</td>
</tr>
<tr>
<td>Inventories - finished goods, net</td>
<td>$172,694</td>
<td>$144,236</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$92,970</td>
<td>$60,202</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$529,905</td>
<td>$1,006,431</td>
</tr>
<tr>
<td><strong>Property and equipment, net of accumulated depreciation of $774,359 and $692,903 as of September 30, 2015 and December 31, 2014</strong></td>
<td>$435,368</td>
<td>$511,286</td>
</tr>
<tr>
<td><strong>Web development costs, net of accumulated amortization of $127,247 and $70,498 as of September 30, 2015 and December 31, 2014</strong></td>
<td>$103,966</td>
<td>$142,541</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,069,239</td>
<td>$1,660,258</td>
</tr>
</tbody>
</table>

| **Liabilities and Stockholders' Deficiency** |                    |                   |
| **Current liabilities:** |                    |                   |
| Accounts payable – trade | $2,269,915         | $2,542,938        |
| Accounts payable – related parties | $40,000 | $84,314 |
| Accrued expenses and other current liabilities | $522,853 | $680,506 |
| Deferred revenue | $1,992 | $7,009 |
| Current portion of equipment lease payable | $62,579 | $64,101 |
| Notes payable and other advances, net of debt discount of $1,533 and $58,367 as of September 30, 2015 and December 31, 2014 | $848,467 | $791,633 |
| **Total current liabilities** | $4,781,201         | $5,289,739        |
| **Long term liabilities:** |                    |                   |
| Long term portion of equipment lease payable | - | 46,143 |
| **Total liabilities** | $4,781,201         | $5,289,739        |

#### Commitments and contingencies

Stockholders’ deficiency:

- Preferred stock – par value $0.001 per share; authorized 1,000,000 shares; issued and outstanding as of September 30, 2015 and December 31, 2014 as follows:
  - Convertible preferred stock - Series A – 200,000 shares designated Series A; 44,443 shares available to be issued; no shares issued and outstanding
  - Convertible preferred stock - Series B – 625,000 shares designated Series B; 483,512 and 451,879 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively (aggregate liquidation preference of $4,809,070 and $4,569,175 as of September 30, 2015 and December 31, 2014, respectively)

- Common stock – par value $0.001 per share; authorized 100,000,000 shares; 38,749,595 shares issued and 37,570,383 shares outstanding as of September 30, 2015 and December 31, 2014
- Additional paid-in capital
- Employee advances
- Treasury stock, at cost, 1,179,212 shares as of September 30, 2015 and December 31, 2014
- Accumulated deficit
<table>
<thead>
<tr>
<th></th>
<th>(3,711,962)</th>
<th>(3,629,481)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total stockholders’ deficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and stockholders’ deficiency</td>
<td>$ 1,069,239</td>
<td>$ 1,660,258</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these condensed consolidated financial statements.
HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  

For the Three Months Ended September 30,  

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$1,689,457</td>
<td>$1,474,986</td>
<td>$5,172,974</td>
<td>$4,654,404</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>604,153</td>
<td>600,840</td>
<td>1,853,707</td>
<td>1,923,142</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,085,304</td>
<td>874,146</td>
<td>3,319,267</td>
<td>2,731,262</td>
<td></td>
</tr>
</tbody>
</table>

Operating expenses:

| Selling, general and administrative expenses | 1,211,401 | 1,317,775 | 3,605,876          | 3,686,421 |

Loss from operations | (126,097) | (443,629) | (286,609)          | (955,159) |

Other expense:

| Interest expense     | (36,507)  | (86,628)  | (156,464)          | (245,781) |

Total other expense   | (36,507)  | (86,628)  | (156,464)          | (245,781) |

Net loss             | (162,604) | (530,257) | (443,073)          | (1,200,940)|

Preferred stock:

| Series B convertible contractual dividends | (79,960)  | (74,730)  | (239,882)          | (224,189) |

Net loss attributable to common stockholders | $ (242,564) | $ (604,987) | $ (682,955) | $ (1,425,129) |

Per share data:

| Net loss – basic and diluted | $ (0.01) | $ (0.02) | $ (0.01) | $ (0.04) |

Series B convertible contractual dividends | (0.00) | (0.00) | (0.01) | (0.01) |

Series B convertible deemed dividends | - | - | - | - |

Net loss attributable to common stockholders - basic and diluted | $ (0.01) | $ (0.02) | $ (0.02) | $ (0.05) |

Weighted average number of common shares outstanding - basic and diluted | 37,570,383 | 29,949,512 | 37,570,383 | 27,694,705 |

The accompanying notes are an integral part of these condensed consolidated financial statements.
HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  

For the Nine Months Ended  
September 30  

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(443,073)</td>
<td>$(1,200,940)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>-</td>
<td>$(50,036)</td>
</tr>
<tr>
<td>Provision for employee advance reserve</td>
<td>2,143</td>
<td>4,715</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>138,157</td>
<td>127,211</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>258,114</td>
<td>502,408</td>
</tr>
<tr>
<td>Gain on settlement of accounts payable</td>
<td>(105,764)</td>
<td>-</td>
</tr>
<tr>
<td>Imputed value of services contributed</td>
<td>-</td>
<td>116,667</td>
</tr>
<tr>
<td>Amortization of debt discount</td>
<td>98,134</td>
<td>182,766</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>20,898</td>
<td>208,058</td>
</tr>
<tr>
<td>Inventories - finished goods</td>
<td>(28,458)</td>
<td>136,964</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(32,768)</td>
<td>(12,982)</td>
</tr>
<tr>
<td>Accounts payable – trade</td>
<td>(167,259)</td>
<td>(371,735)</td>
</tr>
<tr>
<td>Accounts payable – related parties</td>
<td>(44,314)</td>
<td>(35,017)</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>(98,618)</td>
<td>356,491</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(5,017)</td>
<td>(91,671)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(407,825)</td>
<td>$(127,101)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |          |          |
| Change in restricted cash | 36,077   | (650,074) |
| Capital expenditures | (5,539)  | -        |
| Website development costs | (18,125) | (98,001) |
| **Net cash provided by (used in) investing activities** | 12,413   | (748,075) |

| **Cash flows from financing activities** |          |          |
| Principal payments on equipment leases payable | (47,665) | (41,269) |
| Proceeds from issuance of notes payable | -       | 150,000  |
| Repayment of notes payable and other advances – related parties | (37,700) | (5,000)  |
| Proceeds from the sale of common stock | -       | 1,208,759 |
| **Net cash (used in) provided by financing activities** | (85,365) | 1,312,490 |

| Net (decrease) increase in cash | $(480,777) | 437,314 |

| Cash - beginning of period | 506,019   | 67,744   |
| Cash - end of period        | $25,242   | $505,058 |

| Cash paid for: |          |          |
| Interest       | $58,416  | $65,395  |
| Taxes          | -        | -        |

The accompanying notes are an integral part of these condensed consolidated financial statements.
HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Continued)

For the Nine Months Ended
September 30, 2015

<table>
<thead>
<tr>
<th>Non-cash investing and financing activities:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of Series B preferred stock for settlement of accrued dividends</td>
<td>$298,917</td>
<td>$279,380</td>
</tr>
<tr>
<td>Warrants issued as debt discount in connection with notes payable</td>
<td>$41,300</td>
<td>$36,000</td>
</tr>
<tr>
<td>Accrual of contractual dividends on Series B convertible preferred stock</td>
<td>$239,882</td>
<td>$224,189</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these condensed consolidated financial statements.
HEALTHWAREHOUSE.COM, INC. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements

1. Organization and Basis of Presentation

HealthWarehouse.com, Inc. (“HEWA” or the “Company”), a Delaware company incorporated in 1998, is America’s Trusted Online Pharmacy, licensed in 50 states to focus on the out-of-pocket prescription drug market. The Company is Verified Internet Pharmacy Practice Site (“VIPPS”) accredited by the National Association of Boards of Pharmacy (“NABP”). The Company markets a complete range of generic, brand name, and pet prescription medications as well as over-the-counter (“OTC”) medications and products.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of September 30, 2015 and for the nine months ended September 30, 2015 and 2014. The results of operations for the nine months ended September 30, 2015 are not necessarily indicative of the operating results for the full year ending December 31, 2015 or any other period. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2014 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 30, 2015.

2. Going Concern and Management’s Liquidity Plans

Since inception, the Company has financed its operations primarily through debt and equity financings and advances from related parties. As of September 30, 2015, the Company had a working capital deficiency of $4,251,296 and an accumulated deficit of $30,895,820. During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Company incurred net losses of $443,073 and $1,783,279, respectively, and used cash in operating activities of $407,825 and $875,769, respectively. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

On August 27, 2015, a vendor of the Company was granted an order of garnishment against the Company’s funds held in a bank account in the amount of $83,766 for an unpaid debt, accordingly, such amount has been classified as restricted cash as of September 30, 2015. On September 16, 2015, the Company’s senior lender filed a motion with the court to intercede in the garnishment action on the grounds that it has a superior lien on the funds which was granted at a hearing on October 6, 2015. In addition, as a result of the garnishment action, the senior lender notified the Company that an event of default has occurred on its senior note and the loan is in default and immediately payable. As of the date of this filing, the senior lender has not imposed the default rate of interest but has the right to at any time while the note is in default. The Company is working with the senior lender to cure the default. See Note 5 Notes Payable and Note 10 Subsequent Events.

Subsequent to September 30, 2015, the Company raised an aggregate of $250,000 in debt financing and continues to incur net losses, use cash in operating activities and experience cash and working capital constraints.

On February 13, 2013, the Company received a Notice of Redemption related to its Series C Redeemable Preferred Stock aggregating $1,000,000 (see Note 6). As a result of receiving the Notice of Redemption, the Company must now apply all of its assets to redemption of the Series C Preferred Stock and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders (the Company is not permitted to utilize toward the redemption those assets required to pay its debts as they come due and those assets required to continue as a going concern).

The Company recognizes it will need to raise additional capital in order to fund operations, meet its payment obligations and execute its business plan. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to the Company and whether the Company will become profitable and generate positive operating cash flow. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, attempt to extend note repayments, attempt to negotiate the preferred stock redemption and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. If the Company is unable to obtain financing on a timely basis, the Company could be forced to sell its assets, discontinue its operation and /or seek reorganization under the U.S. bankruptcy code.
Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the condensed consolidated financial statements do not necessarily represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of HealthWarehouse.com, Inc., Hwareh.com, Inc., Hocks.com, Inc., ION Holding NV and ION Belgium NV, its wholly-owned subsidiaries. ION Holding NV and ION Belgium NV are inactive subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

On June 4, 2013, the Company formed a wholly-owned subsidiary called Pagosa Health LLC (“Pagosa”). On January 14, 2014, the Company closed Pagosa to focus on its core consumer prescription business. Pagosa was dissolved in July 2014.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant estimates include reserves related to accounts receivable and inventory, the recoverability and useful lives of long-lived assets, the valuation allowance related to deferred tax assets, the valuation of equity instruments and debt discounts.

Net Earnings (Loss) Per Share of Common Stock

Basic net earnings (loss) per share is computed by dividing net earnings (loss) attributable to Common Stockholders by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per share reflects the potential dilution that could occur if securities or other instruments to issue Common Stock were exercised or converted into Common Stock. Potentially dilutive securities are excluded from the computation of diluted net earnings (loss) per share if their inclusion would be anti-dilutive and consist of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options</td>
<td>5,266,128</td>
<td>2,601,700</td>
</tr>
<tr>
<td>Warrants</td>
<td>9,976,474</td>
<td>8,032,378</td>
</tr>
<tr>
<td>Series B Convertible Preferred Stock</td>
<td>5,507,202</td>
<td>4,844,143</td>
</tr>
<tr>
<td>Total potentially dilutive shares</td>
<td>20,749,804</td>
<td>15,478,221</td>
</tr>
</tbody>
</table>

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03 (ASU 2015-03), Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual and interim reporting periods beginning after December 15, 2015, but early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s condensed consolidated financial position and results of operations.

The Company has determined there are no other new accounting standards that are expected to have a material impact on the Company's condensed consolidated financial statements.
4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Rent</td>
<td>$ 28,402</td>
<td>$ 36,053</td>
</tr>
<tr>
<td>Advertising</td>
<td>76,639</td>
<td>109,930</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>61,937</td>
<td>82,222</td>
</tr>
<tr>
<td>Customer Payables</td>
<td>105</td>
<td>635</td>
</tr>
<tr>
<td>Dividend Payable</td>
<td>239,882</td>
<td>298,918</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>44,250</td>
<td>48,868</td>
</tr>
<tr>
<td>Accrued Rent</td>
<td>49,102</td>
<td>46,604</td>
</tr>
<tr>
<td>Other</td>
<td>22,536</td>
<td>57,276</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 522,853</strong></td>
<td><strong>$ 680,506</strong></td>
</tr>
</tbody>
</table>

5. Notes Payable

The Company is a party to a Loan and Security Agreement (the “Loan Agreement”) with a lender (the “Lender”). Under the terms of the Loan Agreement, the Company borrowed an aggregate of $750,000 from the Lender (the “Loan”). The Loan is evidenced by a promissory note (the “Senior Note”) in the face amount of $750,000 (as amended). Effective March 1, 2015, near the original maturity date, the Lender agreed to extend the maturity date of the Senior Note from March 1, 2015 to September 1, 2015 and agreed to extend the maturity date for an additional six months to March 1, 2016 if the Company met certain financial requirements which were not met. Effective September 1, 2015, the Lender agreed to extend the maturity date of the Senior note to November 1, 2015. The Senior Note bears interest on the unpaid principal balance of the Note 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 (7.50% as of September 30, 2015). Under the terms of the Loan Agreement, 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 Note is payable on November 1, 2015, or earlier in the event of default or a sale or liquidation of the Company. See Note 10 Subsequent Events. The Loan may be prepaid in whole or in part at any time by the Company without penalty. The Senior Note contains financial covenants which require the Company to meet certain minimum targets for earnings before interest, taxes and non-cash expenses, including depreciation, amortization and stock-based compensation (“EBITDAS”). The Company granted the Lender a first, priority security interest in all of the Company’s assets, in order to secure the Company’s obligation to repay the Loan, including a Deposit Account Control Agreement, which grants the Lender a security interest in certain bank accounts.

On August 27, 2015, a vendor of the Company was granted an order of garnishment against the Company’s funds held in a bank account in the amount of $83,766 for an unpaid debt, accordingly, such amount has been classified as restricted cash as of September 30, 2015. On September 16, 2015, the Company’s Lender filed a motion with the court to intercede in the garnishment action on the grounds that it has a superior lien on the funds which was granted at a hearing on October 6, 2015. In addition, as a result of the garnishment action, the Lender notified the Company that an event of default has occurred on the Senior Note and the Loan is in default and immediately payable. The Company is working with the Lender to cure the default.

In connection with the extension of the maturity date of the Senior Note, the Company granted the Lender five-year warrants to purchase 500,000 shares of Common Stock at an exercise price of $0.10 per share. The warrants had a fair value of $41,300 using the Black-Scholes model (see Note 6) which was established as debt discount during the nine months ended September 30, 2015 and will be amortized using the effective interest method over the remaining term of the Senior Note. Including the value of warrants issued in connection with extension of the maturity date of the Senior Note, the Note had an effective interest rate of 19% per annum.

The Company recorded amortization of debt discount associated with notes payable of $18,367 and $98,134 during the three and nine months ended September 30, 2015, respectively, and $64,865 and $182,766 for the three and nine months ended September 30, 2014, respectively.

Effective July 23, 2015, the Company reached a settlement agreement with a shareholder that holds a note payable in the amount of $42,095, plus accrued interest, with a maturity date of May 31, 2014. The Company has agreed to pay twelve monthly payments of $4,099 on the first of each month starting on August 1, 2015 to fully satisfy its obligations under the note payable. During the three and nine months ended September 30, 2015, the Company made payments of $8,197.
6. Stockholders’ Deficiency

Preferred Stock

As of September 30, 2015 and December 31, 2014, the Company had accrued cumulative contractual dividends of $239,882 and $298,918, respectively, related to the Series B Preferred Stock. On January 1, 2015 and 2014, the Company issued 31,633 and 29,564 shares of Series B convertible preferred stock valued at approximately $299,000 and $279,000, respectively, representing approximately $0.66 in value per share of Series B Preferred Stock outstanding on each date, to the Series B convertible preferred stock owners as payment in kind for dividends.

Stock Options

Valuation

In applying the Black-Scholes option pricing model to stock options, the Company used the following weighted average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>For The Three Months Ended September 30,</th>
<th>For The Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Risk free interest rate</td>
<td>1.74% to 2.28%</td>
<td>0.97% to 1.75%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>196.0 to 197.0%</td>
<td>190.0%</td>
</tr>
<tr>
<td>Expected life in years</td>
<td>5.5 to 10.0</td>
<td>3.0 to 5.5</td>
</tr>
</tbody>
</table>

Grants

The weighted average fair value of the stock options granted during the three and nine months ended September 30, 2015 was $0.12 and $0.10 per share, respectively. The weighted average fair value of the stock options granted during the three and nine months ended September 30, 2014 was $0.17 per share.

During the nine months ended September 30, 2015, the Company granted options to employees and directors of the Company to purchase an aggregate of 1,865,633 shares of common stock under the 2014 Plan at a weighted average exercise price of $0.10 per share for an aggregate grant date value of $184,860. The options have a vesting period ranging from immediate to three years and have a term of ten years.

During the nine months ended September 30, 2015, the Company granted options to consultants of the Company to purchase an aggregate of 349,861 shares of common stock under the 2014 Plan at a weighted average exercise price of $0.11 per share for an aggregate grant date value of $37,423. The options have a vesting period ranging from immediate to three years and have a term of ten years.

Stock-based compensation expense related to stock options was recorded in the condensed consolidated statements of operations as a component of selling, general and administrative expenses and totaled $59,525 and $245,814 for the three and nine months ended September 30, 2015, respectively, and $99,940 and $358,144 for the three and nine months ended September 30, 2014, respectively. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The Company estimated forfeitures related to option grants at an annual rate of 4% for options granted during the nine months ended September 30, 2015.
As of September 30, 2015, stock-based compensation expense related to stock options of $1,063,062 remains unamortized, including $171,493 which is being amortized over the weighted average remaining period of 2.0 years. The remaining $891,569 is related to a performance based option where vesting is currently deemed to be improbable and no amount is being amortized.

Summary

A summary of the stock option activity during the nine months ended September 30, 2015 is presented below:

<table>
<thead>
<tr>
<th>Options Outstanding</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Life In Years</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Options</td>
<td>3,944,557</td>
<td>$</td>
<td>1.27</td>
</tr>
<tr>
<td>Outstanding, January 1, 2015</td>
<td>2,215,494</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(893,923)</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>Outstanding, September 30, 2015</td>
<td>5,266,128</td>
<td>$</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 5,971</td>
</tr>
<tr>
<td>Exercisable, September 30, 2015</td>
<td>3,654,959</td>
<td>$</td>
<td>0.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 2,521</td>
</tr>
</tbody>
</table>

The following table presents information related to stock options at September 30, 2015:

<table>
<thead>
<tr>
<th>Range of Exercise Price</th>
<th>Options Outstanding</th>
<th>Options Exercisable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted Average Exercise Price</td>
<td>Weighted Average Exercise Price</td>
</tr>
<tr>
<td>$0.09 - $2.20</td>
<td>$ 0.23</td>
<td>4,307,628</td>
</tr>
<tr>
<td>$2.21 - $3.80</td>
<td>3.23</td>
<td>751,500</td>
</tr>
<tr>
<td>$3.81 - $6.99</td>
<td>5.16</td>
<td>207,000</td>
</tr>
<tr>
<td></td>
<td>$ 0.85</td>
<td>5,266,128</td>
</tr>
</tbody>
</table>
Warrants

Valuation

In applying the Black-Scholes option pricing model to stock warrants, the Company used the following weighted average assumptions:

For The Three Months Ended September 30, 2015 | 2014
---|---
Risk free interest rate | 1.75% | 1.69% to 2.32%
Dividend yield | 0.00% | 0.00%
Expected volatility | 196.0% | 189.0% to 190.0%
Expected life in years | 7.1 | 5.0 to 8.0

For The Nine Months Ended September 30, 2015 | 2014
---|---
Risk free interest rate | 1.26% to 1.75% | 1.69% to 2.52%
Dividend yield | 0.00% | 0.00%
Expected volatility | 195.0% to 197.0% | 171.0% to 190.0%
Expected life in years | 5.0 to 7.5 | 5.0 to 8.5

Grants

The weighted average fair value of the stock warrants granted during the nine months ended September 30, 2015 was $0.08 per share. There were no warrants granted during the three months ended September 30, 2015. The weighted average fair value of the stock warrants granted during the three and nine months ended September 30, 2014, was $0.22 and $0.23 per share, respectively.

On April 3, 2015, the Company granted warrants to a former employee of the Company to purchase an aggregate of 137,430 shares of common stock at an exercise price of $0.09 per share for an aggregate grant date value of $12,018. The warrants have a term of five years. The warrants were issued as repayment for amounts previously accrued.

Stock-based compensation expense related to warrants for the three and nine months ended September 30, 2015 was recorded in the condensed consolidated statements of operations as a component of selling, general and administrative expenses and totaled $21 and $12,300, respectively, and $134,205 and $133,618 for the three and nine months ended September 30, 2014, respectively. As of September 30, 2015, stock-based compensation expense related to warrants of $576,880 remains unamortized, including $40 which is being amortized over the weighted average remaining period of 0.04 year. The remaining $576,840 is related to a performance based warrant where vesting is currently deemed to be improbable and no amount is being amortized.

A summary of the stock warrant activity during the nine months ended September 30, 2015 is presented below:

<table>
<thead>
<tr>
<th>Weighted Average Exercise Price</th>
<th>Number of Warrants</th>
<th>Weighted Average Remaining Life In Years</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1, 2015</td>
<td>9,339,044</td>
<td>$0.45</td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>637,430</td>
<td>$0.10</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Outstanding, September 30, 2015</td>
<td>9,976,474</td>
<td>$0.43</td>
<td>3.5</td>
</tr>
<tr>
<td>Exercisable, September 30, 2015</td>
<td>9,716,474</td>
<td>$0.36</td>
<td>3.6</td>
</tr>
</tbody>
</table>

The following table presents information related to stock warrants at September 30, 2015:

<table>
<thead>
<tr>
<th>Range of Exercise Price</th>
<th>Warrants Outstanding</th>
<th>Warrants Exercisable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average Exercise Price</td>
<td>Outstanding Number of Warrants</td>
<td>Weighted Average Remaining Life In Years</td>
</tr>
<tr>
<td>$0.09 - $0.35</td>
<td>0.27</td>
<td>9,383,628</td>
</tr>
<tr>
<td>$0.36 - $3.00</td>
<td>2.91</td>
<td>562,846</td>
</tr>
<tr>
<td>$3.01 - $4.95</td>
<td>4.95</td>
<td>30,000</td>
</tr>
<tr>
<td>$0.09 - $4.95</td>
<td>0.43</td>
<td>9,976,474</td>
</tr>
</tbody>
</table>
7. Commitments and Contingent Liabilities

Operating Leases

The Company is a party to a lease agreement dated June 15, 2011 for approximately 62,000 square feet of office and storage space with an entity. On December 15, 2014, the Company entered into a sublease agreement for 34,106 square feet of warehouse space at the Company’s corporate headquarters in Florence, Kentucky. The sublease, which required rent of $9,948 per month, was terminated by the Company on the original expiration date of June 14, 2015. On April 27, 2015, the Company entered in an amendment to the lease agreement which reduced the square feet of office and storage space to approximately 28,500 square feet, effective June 15, 2015. Per the amendment, the monthly lease rate reduced to $7,770 in June 2015, $4,868 for the remainder of 2015 and $5,462 in year 2016. The Company accounts for rent expense using the straight line method of accounting, deferring the difference between actual rent due and the straight line amount. The Company will amortize the balance of the remaining deferred rent payable related to the original lease over the remaining life of the amended lease term. The lease expires on January 1, 2017. Deferred rent payable of $28,402 and $36,053 as of September 30, 2015 and December 31, 2014, respectively, has been included in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

On June 7, 2013, Pagosa signed a three year lease for $1,000 per month to house an office, pharmacy as well as inventory and is located in Lawrenceburg, IN. On July 8, 2013, the parties agreed to extend the lease for two additional years, such that the new termination date is now June 7, 2018. On January 14, 2014, the Company closed Pagosa and vacated the Lawrenceburg facility. The Company is currently in discussions with the Landlord regarding termination of the lease related to the building. The present value of the remaining lease payments of $49,102 is reflected as a component of accrued expenses and other liabilities on the condensed consolidated financial statements as of September 30, 2015.

Future minimum payments, by year and in the aggregate, under operating leases as of September 30, 2015 are as follows:

<table>
<thead>
<tr>
<th>For years ending December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$17,604</td>
</tr>
<tr>
<td>2016</td>
<td>77,544</td>
</tr>
<tr>
<td>2017</td>
<td>12,000</td>
</tr>
<tr>
<td>2018</td>
<td>5,000</td>
</tr>
<tr>
<td>Total future minimum lease payments</td>
<td>$112,148</td>
</tr>
</tbody>
</table>

During the three and nine months ended September 30, 2015, the Company recorded aggregate rent expense of $23,536 and $85,151, respectively, and $66,820 and $210,140 during the three and nine months ended September 30, 2014, respectively.

Litigation

In the ordinary course of business, we may become subject to lawsuits and other claims and proceedings that might arise from litigation matters or regulatory audits. Such matters are subject to uncertainty and outcomes are often not predictable with assurance. Our management does not presently expect that any such matters will have a material adverse effect on the Company’s condensed consolidated financial condition or condensed consolidated results of operations. We are not currently involved in any pending or threatened material litigation or other material legal proceedings nor have we been made aware of any penalties from regulatory audits.

8. Concentrations

During the three months ended September 30, 2015, two vendors represented 61% and 11% of total inventory purchases, and 67% and 11% of total inventory purchases for the nine months ended September 30, 2015. During the three months ended September 30, 2014, two vendors represented 76% and 12% of total inventory purchases, and 68% and 14% of total inventory purchases for the nine months ended September 30, 2014. Two vendors represented 40% and 12% of the accounts payable balance as of September 30, 2015 and 36% and 11% as of December 31, 2014. One customer represented 6% and 22% of the accounts receivable balance as of September 30, 2015 and December 31, 2014, respectively.
9. Related Party Transactions

Effective September 4, 2014, the Company entered into a consulting agreement with a stockholder to provide consulting services related to business development and marketing activities for the Company and other duties as agreed to by management. The Company is required to pay the related party a monthly fee of $10,000 plus expense reimbursement. Subsequent to the effective date, the related party agreed to defer the payment of the monthly fee for a period of four months beginning with the November 4, 2014 payment. The deferred fees will be payable on the earlier of the termination date or the second anniversary of the effective date. The consulting agreement has an initial term of one year and can be automatically renewed for a one year period unless terminated by either party. The Agreement may be terminated by the Company by providing a sixty day notice prior to the first anniversary of the effective date. On July 6, 2015, the Company notified the related party of its intent to terminate the contract effective September 4, 2015. During the three and nine months ended September 30, 2015, the Company incurred consulting and other expenses of $20,000 and $100,000, respectively, and paid $20,000 and $60,000, respectively, related to the consulting agreement.

Between June 2009 and April 2012, an employee who is the son of the managing member of a limited liability company that beneficially owns over 5% of the Company’s Common Stock received advances from the Company in various forms which totaled $391,469 including interest. Principal repayments towards the outstanding advances aggregating $235,000 have been made through March 31, 2014. In April 2012, this employee voluntarily resigned from the Company. The individual agreed to repay the remaining balance with interest based on prime rate on the first business day of the calendar quarter. The amount has been included in Stockholders’ Deficiency as the Company has determined to exercise its rights through a pledge agreement for 42,860 shares as collateral. At December 31, 2014, the Company estimated the value of the collateral at $2,143. During the nine months ended September 30, 2015, the Company wrote off the value of the collateral to $0.

10. Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed.

Option Grants

On October 10, 2015, the Company granted options to directors of the Company to purchase an aggregate of 275,706 shares of common stock under the 2014 Plan at an exercise price of $0.10 per share for an aggregate grant date value of $27,000. The options vested on the grant date and have a term of ten years. The options were granted as part of director compensation approved by the Compensation Committee.

Notes Payable

On November 11, 2015, the Company entered into a Loan Extension Agreement and an Amended and Restated Promissory Note with its Lender, effective November 1, 2015, which extended the maturity date of the Senior Note from October 31, 2015 to December 31, 2015 and increased the face amount of the Senior Note from $750,000 to $1,000,000 (November 2015 Note). The material November 2015 Note terms are unchanged from the Senior Note. In consideration of the Lender providing additional funds and entering into the November 2015 Note, the Company granted the Lender a five-year warrant to purchase 250,000 shares of Common Stock at an exercise price of $0.12 per share. In addition, the exercise price on 375,000 previously issued warrants was modified from $0.35 to $0.12. The warrant contains customary anti-dilution provisions.
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion and analysis of the results of operations and financial condition of HealthWarehouse.com, Inc. (and including its subsidiaries, the “Company”) as of September 30, 2015 and December 31, 2014 and for the nine months ended September 30, 2015 and 2014 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Quarterly Report on Form 10-Q. References in this Management’s Discussion and Analysis of Financial Condition and Results of Operations to “us,” “we,” “our,” and similar terms refer to the Company. This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 (“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Affect Results and Financial Condition”) of our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission (the “SEC”) on March 30, 2015.

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Overview

HealthWarehouse.com, Inc. (“HEWA” or the “Company”) is America’s Trusted Online Pharmacy, licensed in 50 states to focus on the out-of-pocket prescription drug market, a market which is expected to grow to $80 billion in 2015. HealthWarehouse.com is currently 1 of less than 40 Verified Internet Pharmacy Practice Websites (“VIPPS”) accredited by the National Association of Boards of Pharmacy (“NABP”) and is the only VIPPS accredited pharmacy licensed in all 50 states and the District of Columbia that processes out-of-pocket prescriptions online. The Company markets a complete range of generic, brand name, and pet prescription medications as well as over-the-counter (“OTC”) medications and products.

Consumers who pay out of pocket for their prescriptions include those:

- With no insurance coverage;
- With high insurance deductibles or copays;
- With Medicare Part D plans with high deductibles;
- With Health Savings Accounts (HSA) or Flexible Savings Accounts (FSA);
- With insurance through the Affordable Care Act (ACA) with high deductibles;
- With drug exclusions and quantity restrictions placed by insurance companies.

Our objectives are to utilize our proprietary technology to make the pharmaceutical supply chain more efficient and to pass the savings on to the consumer. We are becoming known by consumers as a convenient, reliable, discount provider of over-the-counter products and prescription medications. We intend to continue to expand our product line as our business grows.
### Results of Operations

**For The Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014**

<table>
<thead>
<tr>
<th></th>
<th>For three months ended September 30, 2015</th>
<th>% of Revenue</th>
<th>For three months ended September 30, 2014</th>
<th>% of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$1,689,457</td>
<td>100.0%</td>
<td>$1,474,986</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>$604,153</td>
<td>35.8%</td>
<td>$600,840</td>
<td>40.7%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$1,085,304</td>
<td>64.2%</td>
<td>$874,146</td>
<td>59.3%</td>
</tr>
<tr>
<td><strong>Selling, general &amp; administrative expenses</strong></td>
<td>$1,211,401</td>
<td>71.7%</td>
<td>$1,317,775</td>
<td>89.3%</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>$(126,097)</td>
<td>(7.5%)</td>
<td>$(443,629)</td>
<td>(30.0%)</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>$(36,507)</td>
<td>(2.2%)</td>
<td>$(86,628)</td>
<td>(5.9%)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(162,604)</td>
<td>(9.7%)</td>
<td>$(530,257)</td>
<td>(35.9%)</td>
</tr>
</tbody>
</table>

**Net Sales**

<table>
<thead>
<tr>
<th></th>
<th>For three months ended September 30, 2015</th>
<th>% Change</th>
<th>$ Change</th>
<th>For three months ended September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$1,689,457</td>
<td>14.5%</td>
<td>$214,471</td>
<td>$1,474,986</td>
</tr>
</tbody>
</table>

Net sales for the three months ended September 30, 2015 increased to $1,689,457 from $1,474,986, an increase of $214,471, or 14.5%, resulting from growth in core prescription and over-the-counter sales offset by a reduction in business-to-business sales. Core over-the-counter revenue grew 40.3% and orders grew by 44.3% due to advertising efforts and improved order fulfillment rates and customer satisfaction. Core prescription orders grew 17.3% as new customers grew 70.3% and repeat customers grew 22.1%, continuing the reversal of the downward trend experienced during 2014 due to lack of advertising efforts in the first three quarters of 2014.

With the liquidity provided by proceeds from the equity raise in 2014, the Company was able to purchase products in a timely manner and carry inventory of high sales volume products to fill incoming orders and improved order fill rate to less than three days for core prescription orders from the receipt of the order and under one and one-half days for over-the-counter orders. We believe this has resulted in a significant increase in positive customer reviews from both new and repeat customers.

The Company plans to continue to focus on customer acquisition, conversion and retention. The Company believes this strategy has helped to increase new customers by 70.3% and overall orders by 25.9% during the third quarter of 2015 compared to levels experienced prior to the completion of the equity raise. The Company believes repeat customers will also continue to grow through the retention of the new customers acquired over the past twelve months.

**Cost of Sales and Gross Margin**

<table>
<thead>
<tr>
<th></th>
<th>For three months ended September 30, 2015</th>
<th>% Change</th>
<th>$ Change</th>
<th>For three months ended September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of sales</strong></td>
<td>$604,153</td>
<td>0.6%</td>
<td>3,313</td>
<td>$600,840</td>
</tr>
<tr>
<td><strong>Gross margin $</strong></td>
<td>$1,085,304</td>
<td>24.2%</td>
<td>211,158</td>
<td>$874,146</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>64.2%</td>
<td>8.3%</td>
<td>4.9%</td>
<td>59.3%</td>
</tr>
</tbody>
</table>

Cost of sales were $604,153 for the three months ended September 30, 2015 as compared to $600,840 for the three months ended September 30, 2014, an increase of $3,313, or 0.6%, primarily as a result of increased order volume offset by improved costs realized through strategic purchasing efforts. Gross margin percentage increased from 59.3% for the three months ended September 30, 2014 to 64.2% for the three months ended September 30, 2015, primarily due to the purchasing efforts discussed above and improved margins in core prescription and over-the-counter products. Management will continue to focus efforts on strategic purchasing opportunities and maintaining profit margins while expanding its product line, particularly in the over-the-counter business.
Selling, General and Administrative Expenses

<table>
<thead>
<tr>
<th>For three months ended September 30, 2015</th>
<th>% Change</th>
<th>$ Change</th>
<th>For three months ended September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>S,G&amp;A</td>
<td>(8.1%)</td>
<td>$ (106,374)</td>
<td>$ 1,317,775</td>
</tr>
<tr>
<td>% of sales</td>
<td>71.7%</td>
<td></td>
<td>89.3%</td>
</tr>
</tbody>
</table>

Selling, general and administrative expenses totaled $1,211,401 for the three months ended September 30, 2015 compared to $1,317,775 for the three months ended September 30, 2014, a decrease of $106,374, or 8.1%. The three months ended September 30, 2015 expense decreases included (a) a decrease in stock based compensation of $174,600; (b) a decrease in contract labor and accounting services expense of $71,316 (primarily due to the reduction of use of outside consultants); (c) a decrease in rent expense of $43,284 (resulting from the amendment of the lease reducing the rented space and monthly rent related to our Florence facility); (d) a decrease in legal expense of $33,792 (primarily due to fees related to the preparation of materials for the 2014 annual meeting and settlement of litigation in 2014); and (e) a decrease in shareholder expense of $30,937 (primarily due to costs associated with the 2014 annual meeting). These expense increases were partially offset by (a) an increase in advertising and marketing expense of $173,324 to support sales growth; (b) an increase in salary and payroll tax expense of $36,136 (primarily an increase in pharmacy and customer support personnel to support sales growth); and (c) an increase in shipping expense of $34,389 (primarily due to higher sales volume).

Interest Expense

Interest expense decreased from $86,628 in the three months ended September 30, 2014 to $36,507 in the three months ended September 30, 2015, a decrease of $50,121, or 57.9%, primarily due to a decrease in amortization of debt discounts.


<table>
<thead>
<tr>
<th>For nine months ended September 30, 2015</th>
<th>% of Revenue</th>
<th>For nine months ended September 30, 2014</th>
<th>% of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>100.0%</td>
<td>$ 5,172,974</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>35.8%</td>
<td>$ 1,853,707</td>
<td>41.3%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>64.2%</td>
<td>$ 3,319,267</td>
<td>58.7%</td>
</tr>
<tr>
<td>Selling, general &amp; administrative expenses</td>
<td>69.7%</td>
<td>$ 3,605,876</td>
<td>79.2%</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(5.5%)</td>
<td>(286,609)</td>
<td>(20.5%)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(3.0%)</td>
<td>(156,464)</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(8.5%)</td>
<td>$ (443,073)</td>
<td>(25.8%)</td>
</tr>
</tbody>
</table>

Net Sales

<table>
<thead>
<tr>
<th>For nine months ended September 30, 2015</th>
<th>% Change</th>
<th>$ Change</th>
<th>For nine months ended September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 5,172,974</td>
<td>11.1%</td>
<td>$ 518,570</td>
<td>$ 4,654,404</td>
</tr>
</tbody>
</table>

Net sales for the nine months ended September 30, 2015 increased to $5,172,974 from $4,654,404, an increase of $518,570, or 11.1%, resulting from growth in prescription, over-the-counter and business-to-business sales. Core over-the-counter revenue grew 30.7% and core prescription revenue grew by 1.2% due to advertising efforts and improved order fulfillment rates and customer satisfaction. We believe core prescription orders from repeat customers during the third quarter of 2015 returned to levels experienced in the first quarter of 2014. Based on current repeat order trends and continued focus on advertising, marketing and operational efforts, we believe orders from repeat prescription customers will exceed the levels achieved in 2014 during the fourth quarter of this year.
With liquidity from the equity raise in August and October 2014, the Company was able to purchase products in a timely manner and carry inventory of high sales volume products to fill incoming orders and improved order fill rate to less than three days for core prescription orders and under one and one-half days for over-the-counter orders from receipt of order. We believe this has created a significant increase in positive customer reviews from new and repeat customers.

Management will continue to focus on customer acquisition, conversion and retention. Advertising and marketing campaigns will focus on driving new customers to the website, while engineering resources continue to focus on improving customer experience and order conversions. In addition, the Company continues to proactively call prescription customers to improve the Company’s order conversion rate. We believe these efforts helped the Company to increase new customers by approximately 40.9% and overall orders by 9.6% during the nine months ended September 30, 2015 compared to the nine month period prior to the equity raise. We believe repeat customers will continue to grow in 2015 through retention of new customers acquired over the past twelve months.

Cost of Sales and Gross Margin

<table>
<thead>
<tr>
<th></th>
<th>For nine months ended September 30,</th>
<th>%</th>
<th>$</th>
<th>For nine months ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>Change</td>
<td>Change</td>
<td>2014</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>$1,853,707</td>
<td>(3.6%)</td>
<td>(69,435)</td>
<td>$1,923,142</td>
</tr>
<tr>
<td>Gross margin $</td>
<td>$3,319,267</td>
<td>21.5%</td>
<td>588,005</td>
<td>$2,731,262</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>64.2%</td>
<td>9.4%</td>
<td>5.5%</td>
<td>58.7%</td>
</tr>
</tbody>
</table>

Cost of sales were $1,853,707 for the nine months ended September 30, 2015 as compared to $1,923,142 for the nine months ended September 30, 2014, a decrease of $69,435, or 3.6%, primarily as a result of improved costs realized through strategic purchasing efforts partially offset by the increase in order volume. Gross margin percentage increased from 58.7% for the nine months ended September 30, 2014 to 64.2% for the nine months ended September 30, 2015, primarily due to the purchasing efforts discussed above and our focus on the more profitable core prescription and over-the-counter sales. Management will continue to focus efforts on taking advantage of strategic purchasing opportunities and maintaining profit margins while expanding its product line, particularly in the over-the-counter business.

Selling, General and Administrative Expenses

<table>
<thead>
<tr>
<th></th>
<th>For nine months ended September 30,</th>
<th>%</th>
<th>$</th>
<th>For nine months ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>Change</td>
<td>Change</td>
<td>2014</td>
</tr>
<tr>
<td>S,G&amp;A</td>
<td>$3,605,876</td>
<td>(2.2%)</td>
<td>(80,545)</td>
<td>$3,686,421</td>
</tr>
<tr>
<td>% of sales</td>
<td>69.7%</td>
<td></td>
<td></td>
<td>79.2%</td>
</tr>
</tbody>
</table>

Selling, general and administrative expenses totaled $1,211,401 for the three months ended September 30, 2015 compared to $1,317,775 for the three months ended September 30, 2014, a decrease of $106,374, or 8.1%. The three months ended September 30, 2015 expense decreases included (a) a decrease in stock based compensation of $174,600; (b) a decrease in contract labor and accounting services expense of $71,316 (primarily due to the reduction of use of outside consultants); (c) a decrease in rent expense of $43,284 (resulting from the amendment of the lease reducing the rented space and monthly rent related to our Florence facility); (d) a decrease in legal expense of $33,792 (primarily due to fees related to the preparation of materials for the 2014 annual meeting and settlement of litigation in 2014); and (e) a decrease in shareholder expense of $30,937 (primarily due to costs associated with 2014 annual meeting). These expense increases were partially offset by (a) an increase in advertising and marketing expense of $173,324 to support sales growth; (b) an increase in salary and payroll tax expense of $36,136 (primarily an increase in pharmacy and customer support personnel to support sales growth); and (c) an increase in shipping expense of $34,389 (primarily due to higher sales volume).
Interest Expense

Interest expense decreased from $245,781 in the nine months ended September 30, 2014 to $156,464 in the nine months ended September 30, 2015, a decrease of $89,317 or 36.3%, primarily due to a decrease in amortization of debt discounts partial offset by higher notes payable balances.

Adjusted EBITDAS

We believe Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-Based Compensation (“Adjusted EBITDAS”), a non-GAAP financial measure, is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance. We believe that:

- Adjusted EBITDAS provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

- Adjusted EBITDAS is useful because it excludes non-cash charges, such as depreciation and amortization, stock-based compensation and one-time charges, which the amount of such expense in any specific period may not directly correlate to the underlying performance of our business operations and these expenses can vary significantly between periods.

We use Adjusted EBITDAS in conjunction with traditional GAAP measures as part of our overall assessment of our performance, to evaluate the effectiveness of our business strategies and to communicate with our lenders, stockholders and board of directors concerning our financial performance.

Adjusted EBITDAS should not be considered as a substitute for other measures of financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do. We compensate for the inherent limitations associated with using Adjusted EBITDAS through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDAS to the most directly comparable GAAP measure, specifically net loss.

The following provides a reconciliation of net loss to Adjusted EBITDAS:

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended September 30,</th>
<th>For the nine months ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 (unaudited)</td>
<td>2014 (unaudited)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(162,604)</td>
<td>$(530,257)</td>
</tr>
<tr>
<td></td>
<td>$(443,073)</td>
<td>$(1,200,940)</td>
</tr>
<tr>
<td>Non-GAAP adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>36,507</td>
<td>86,628</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>46,184</td>
<td>43,323</td>
</tr>
<tr>
<td>Gain on settlement of accounts payable</td>
<td>(17,794)</td>
<td>(105,764)</td>
</tr>
<tr>
<td>Imputed value of contributed services</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>59,546</td>
<td>234,145</td>
</tr>
<tr>
<td>Change in fair value of collateral securing employee advances</td>
<td>-</td>
<td>2,143</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDAS</td>
<td>$(38,161)</td>
<td>$(166,161)</td>
</tr>
<tr>
<td></td>
<td>$6,041</td>
<td>$(204,158)</td>
</tr>
</tbody>
</table>

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities in which we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.
**Impact of Inflation**

We believe that inflation has not had a material impact on our results of operations for the nine months ended September 30, 2015 and 2014. We cannot assure you that future inflation will not have an adverse impact on our operating results and financial condition.

**Liquidity and Capital Resources**

Since inception, the Company has financed its operations primarily through debt and equity financings and advances from related parties. As of September 30, 2015, the Company had a working capital deficiency of $4,251,296 and an accumulated deficit of $30,895,820. During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Company incurred net losses of $443,073 and $1,783,279, respectively and used cash in operating activities of $407,825 and $875,769, respectively. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

On August 27, 2015, a vendor of the Company was granted an order of garnishment against the Company’s funds held in a bank account in the amount of $83,766 for an unpaid debt, accordingly, such amount has been classified as restricted cash as of September 30, 2015. On September 16, 2015, the Company’s senior lender filed a motion with the court to intercede in the garnishment action on the grounds that it has a superior lien on the funds which was granted at a hearing on October 6, 2015. In addition, as a result of the garnishment action, the senior lender notified the Company that an event of default has occurred on the senior note and the loan is in default and immediately payable. The Company is working with the senior lender to cure the default.

Subsequent to September 30, 2015, the Company raised an aggregate of $250,000 in debt financing and continues to incur net losses, use cash in operating activities and experience cash and working capital constraints.

On February 13, 2013, the Company received a Notice of Redemption related to its Series C Redeemable Preferred Stock aggregating $1,000,000 (see Note 6). As a result of receiving the Notice of Redemption, the Company must now apply all of its assets to redemption of the Series C Preferred Stock and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders (the Company is not permitted to utilize toward the redemption those assets required to pay its debts as they come due and those assets required to continue as a going concern).

We recognize that we will need to raise additional capital in order to fund operations, meet our payment obligations, including the redemption of the Series C Redeemable Preferred Stock, and execute our business plan. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to us and whether we will become profitable and generate positive operating cash flow. If we are unable to raise sufficient additional funds, we will have to develop and implement a plan to further extend payables, extend note repayments, extend the preferred stock redemption and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. If we are unable to obtain financing on a timely basis, we could be forced to sell our assets, discontinue our operations and/or seek reorganization under the U.S. bankruptcy code.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate our continuation as a going concern and the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the condensed consolidated financial statements do not necessarily represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of September 30, 2015 and December 31, 2014, the Company had cash on hand of $25,242 and $506,019, respectively. Our cash flow from operating, investing and financing activities during these periods were as follows:

For the nine months ended September 30, 2015, cash flows included net cash used in operating activities of $407,825. This amount included a decrease in operating cash related to a net loss of $443,073, offset by aggregate non-cash adjustments of $390,784 plus aggregate cash used by changes in operating assets and liabilities of $355,536 (primarily a result of a reduction of accounts payable). For the nine months ended September 30, 2014, cash flows included net cash used in operating activities of $127,101. This amount included a decrease in operating cash related to a net loss of $1,200,940, partially offset by aggregate non-cash adjustments of $883,731, plus aggregate cash provided by changes in operating assets and liabilities of $190,108 (primarily a result of a reduction of receivables and inventory offset by a reduction of accounts payable).
For the nine months ended September 30, 2015, net cash provided by investing activities was $12,413 related to a reduction in restricted cash of $36,077 offset by the capitalization of website development costs and the purchase of computer equipment. For the nine months ended September 30, 2014, net cash utilized by investing activities was $748,075 due to the placing of cash provided by investors into escrow of $350,080 (restricted cash), the funding of a reserve balance with our bank and credit card processor of $300,000 (restricted cash) and the capitalizing of web development costs.

For the nine months ended September 30, 2015, net cash used by financing activities was $85,365 related to the principal payment on equipment leases and notes payable. For the nine months ended September 30, 2014, net cash provided by financing activities was $1,312,490 related to net proceeds from a capital raise of $1,208,759 and the issuance of a notes payable of $150,000 offset by principal payment on equipment leases of $41,269 and the repayment of a notes payable – related party of $5,000.

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K filed on March 30, 2015. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03 (ASU 2015-03), Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual and interim reporting periods beginning after December 15, 2015, but early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s condensed consolidated financial position and results of operations.

The Company has determined there are no other new accounting standards that are expected to have a material impact on the Company’s condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d–15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the forms and rules of the SEC and that such information is accumulated and communicated to management, including the Chief Executive Officer, in a manner to allow timely decisions regarding required disclosures.

In connection with the preparation of this Form 10–Q, our management, (Chief Executive and Principal Financial Officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2015. Management had previously identified material weaknesses in our internal control over financial reporting as of December 31, 2014 (see Form 10-K filed with the SEC on March 30, 2015), which is an integral component of our disclosure controls and procedures. During the year ended December 31, 2014, management implemented policies, procedures and controls to address the weaknesses in various areas including operational and financial systems integration, separation of duties in review and approval of disbursement, cash handling, purchasing, receiving, shipping and invoicing functions, daily transaction processing and monthly financial closing procedures and timelines and board approval of related party and other significant transactions. Management believes that the controls implemented in these specific areas are sufficient to address the above weaknesses and have concluded that such controls have fully remediated the identified material weaknesses described above.

As of September 30, 2015, the material weakness that remains is the lack of accounting personnel with sufficient experience with United States generally accepted accounting principles to address the accounting for complex transactions due to the lack of a full-time Chief Financial Officer. Therefore, based on this evaluation, management has concluded that as of September 30, 2015, our disclosure controls were not effective. We believe that to fully remediate this weakness, the Company will need to retain a full time Chief Financial Officer. The directors plan to pursue the employment of a permanent Chief Financial Officer in the near term as the Company’s operations and liquidity position improve.
Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting or in other factors during the quarter ended September 30, 2015, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of business, we may become subject to lawsuits and other claims and proceedings that might arise from litigation matters or regulatory audits. Such matters are subject to uncertainty and outcomes are often not predictable with assurance. Our management does not presently expect that any such matters will have a material adverse effect on the Company’s consolidated financial condition or consolidated results of operations. We are not currently involved in any pending or threatened material litigation or other material legal proceedings nor have we been made aware of any penalties from regulatory audits, except as described below.

Item 1A. Risk Factors.

No changes from the Risk Factors included in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 30, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Recent Repurchases of Common Stock

There were no repurchases of our Common Stock during the nine months ended September 30, 2015. The Company does not currently have an announced repurchase program.

Item 3. Defaults on Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.
### Item 6. Exhibits.

The following exhibits are provided:

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Warrant to Purchase 250,000 shares of the Common Stock of HealthWarehouse.com, Inc. dated November 11, 2015 and issued to Melrose Capital Advisors, Inc. *</td>
</tr>
<tr>
<td>3.2</td>
<td>Letter Agreement dated November 11, 2015 between the Company and Melrose Capital Advisors, LLC *</td>
</tr>
<tr>
<td>10.1</td>
<td>Loan Extension Agreement dated November 11, 2015 between the Company and Melrose Capital Advisors, LLC *</td>
</tr>
<tr>
<td>10.2</td>
<td>Amended and Restated Promissory Note dated November 11, 2015 between the Company and Melrose Capital Advisors, LLC *</td>
</tr>
<tr>
<td>10.3</td>
<td>Deposit Account Control Agreement dated October 22, 2015 between the Company, Melrose Capital Advisors, LLC and Cheviot Savings Bank *</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of CEO Pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of CFO Pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of CEO Pursuant to Section 906 of the Sarbanes Oxley Act of 2002. *</td>
</tr>
<tr>
<td>32.2</td>
<td>Certification of CFO Pursuant to Section 906 of the Sarbanes Oxley Act of 2002. *</td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document *</td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Schema Document *</td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Calculation Linkbase Document *</td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Definition Linkbase Document *</td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Label Linkbase Document *</td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Presentation Linkbase Document *</td>
</tr>
</tbody>
</table>

* Filed herewith.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 12, 2015

HEALTHWAREHOUSE.COM, INC.

By: /s/ Lalit Dhadphale
   Lalit Dhadphale
   President and Chief Executive Officer
WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

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HealthWarehouse.com, Inc.

COMMON STOCK PURCHASE WARRANT

Number of shares: 250,000

Holder: Melrose Capital Advisors, LLC

Grant Date: November 11, 2015

Expiration Date: November 11, 2020

Exercise Price Per Share: $0.12 (Twelve cents per share)

HealthWarehouse.com, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), hereby certifies that, for value received, Melrose Capital Advisors, LLC or its registered assigns or permitted transferees (the "Warrant Holder"), is entitled, subject to the terms set forth below, to purchase from the Company 250,000 shares, as adjusted from time to time as provided in Section 6 hereof, of common stock, $0.001 par value (the "Common Stock"), of the Company (each such share, a "Warrant Share," and all such shares, the "Warrant Shares") at a price of $0.12 (twelve cents) per Warrant Share (the "Exercise Price"), at any time and from time to time from and after the date hereof and through and including 5:00 p.m. New York City time on November 11, 2020 (the "Expiration Date"), and subject to the following terms and conditions. This Warrant is being issued to the Warrant Holder in connection with the execution of that certain Amended and Restated Promissory Note dated as of November 11, 2015, by and between the Company and the Warrant Holder (the “Senior Note”). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Senior Note.

1. Registration of Warrant. The Company shall register this Warrant upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Warrant Holder hereof from time to time. The Company may deem and treat the registered Warrant Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Warrant Holder, and for all other purposes, and the Company shall not be affected by notice to the contrary.

2. Investment Representation. The Warrant Holder by accepting this Warrant represents that the Warrant Holder is acquiring this Warrant for its own account or the account of an accredited investor affiliate for investment purposes and not with the view to any offering or distribution and that the Warrant Holder will not sell or otherwise dispose of this Warrant or the underlying Warrant Shares in violation of applicable securities laws. Subject to Section 10 hereof, the Warrant Holder acknowledges that the certificates representing any Warrant Shares will bear a legend indicating that they have not been registered under the United States Securities Act of 1933, as amended (the "1933 Act") and may not be sold by the Warrant Holder except pursuant to an effective registration statement or pursuant to an exemption from registration requirements of the 1933 Act and in accordance with federal and state securities laws.
3. **Validity of Warrant and Issue of Shares.** The Company represents and warrants that this Warrant has been duly authorized and validly issued and warrants and agrees that all of Common Stock that may be issued upon the exercise of the rights represented by this Warrant will, when issued upon such exercise, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof. The Company further warrants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved a sufficient number of Common Stock to provide for the exercise of the rights represented by this Warrant.

4. **Registration of Transfers and Exchange of Warrants.**
   a. All or any portion of this Warrant shall be assignable or transferable by Warrant Holder to a corporation, partnership or limited liability company that directly or indirectly controls or is controlled by such Warrant Holder, subject to such terms and conditions with respect to such assignment or transfer as Warrant Holder shall determine and provided that the transferee agrees in writing for the benefit of the Company (with a copy thereof to be furnished to the Company) to be bound by the terms of this Warrant.
   b. Subject to compliance with the legend set forth on the face of this Warrant, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant with the Form of Assignment attached hereto duly completed and signed, to the Company at the office specified in or pursuant to Section 12. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a "New Warrant"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Warrant Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance of such transferee of all of the rights and obligations of a Warrant Holder of a Warrant.
   c. This Warrant is exchangeable, upon the surrender hereof by the Warrant Holder to the office of the Company specified in or pursuant to Section 12 for one or more New Warrants, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder. Any such New Warrant will be dated the date of such exchange.

5. **Exercise of Warrants.**
   a. Upon surrender of this Warrant with the Form of Election to Purchase attached hereto duly completed and signed to the Company, at its address set forth in Section 12, and upon payment and delivery of the Exercise Price per Warrant Share multiplied by the number of Warrant Shares that the Warrant Holder intends to purchase hereunder, in lawful money of the United States of America, in cash or by certified or official bank check or checks, to the Company, all as specified by the Warrant Holder in the Form of Election to Purchase, the Company shall promptly (but in no event later than 7 business days after the Date of Exercise (as defined herein)) issue and deliver or cause to be issued and cause to be delivered to or upon the written order of the Warrant Holder and in such name or names as the Warrant Holder may designate (subject to the restrictions on transfer described in the legend set forth on the face of this Warrant), a stock certificate for the number of Warrant Shares issuable upon such exercise, with such restrictive legend as required by the 1933 Act. Any person so designated by the Warrant Holder to receive Warrant Shares shall be deemed to have become holder of record of such Warrant Shares as of the Date of Exercise. In connection with such exercise, the Warrant Holder, or such person so designated by the Warrant Holder in accordance with this paragraph, shall be deemed a stockholder of record with respect to the Warrant Shares purchaser pursuant to such exercise, with all rights of a stockholder, including voting rights and rights to receive dividends.
   b. A "Date of Exercise" means the date on which the Company shall have received (i) this Warrant (or any New Warrant, as applicable), with the Form of Election to Purchase attached hereto (or attached to such New Warrant) appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares so indicated by the Warrant Holder to be purchased.
   c. This Warrant shall be exercisable at any time and from time to time for such number of Warrant Shares as is indicated in the attached Form of Election To Purchase. If less than all of the Warrant Shares which may be purchased under this Warrant are exercised at any time, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares for which no exercise has been evidenced by this Warrant.
d. **Cashless Exercise.** The Warrant Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "Cashless Exercise"): 

\[
\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}
\]

For purposes of the foregoing formula:

- \(A\) = the total number of shares with respect to which this Warrant is then being exercised.
- \(B\) = the closing sale price of the shares of Common Stock (as reported by Bloomberg) on the date immediately preceding the date of the Form of Election to Purchase (the "Closing Price").
- \(C\) = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

e. **Deemed Exercise.** If, at the Expiration Date for any Warrant Shares, this Warrant has not theretofore been exercised with respect to such Warrant Shares, and the Closing Price on the business day immediately prior to the Expiration Date is greater than the Exercise Price, then the Warrant Holder shall be deemed to have exercised this Warrant in whole with respect to such Warrant Shares immediately prior to such Expiration Date and shall be deemed to have elected to pay the aggregate Exercise Price pursuant to paragraph d. (Cashless Exercise) of this Section 5, and the Date of Exercise with respect to such deemed exercise shall be the date on which such Expiration Date occurs.

6. **Adjustment of the Number of Shares.** The character of the shares of stock or other securities at the time issuable upon exercise of this Warrant, are subject to adjustment upon the occurrence of the following events, and all such adjustments shall be cumulative:

a. **Adjustment for Stock Splits, Stock Dividends, Recapitalizations, Etc.** The Exercise Price and the number of shares of Common Stock or other securities at the time issuable upon exercise of this Warrant shall be appropriately adjusted to reflect any stock dividend, stock split, combination of shares, reclassification, recapitalization or other similar event affecting the number of outstanding shares of stock or securities.

b. **Distributions of Other Property.** If, at any time while this Warrant remains outstanding and unexpired with respect to any Warrant Shares, the Company shall distribute to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) evidences of its indebtedness or assets (excluding ordinary cash dividends or distributions payable out of consolidated earnings or earned surplus and dividends or distributions referred to in paragraph (a) of this Section 6), then, in lieu of an adjustment to the number of shares Company Common Stock purchasable upon the exercise of this Warrant, the Warrant Holder, upon the exercise hereof at any time after such distribution shall be entitled to receive from the Company the stock or other securities to which the Warrant Holder would have been entitled if the Warrant Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment as provided in this Section 6.

c. **Certificate as to Adjustments.** In case of any adjustment or readjustment in the number or kind of securities issuable on the exercise of this Warrant, or the Exercise Price, the Company will promptly give written notice thereof (but in no event later than 5 business days thereafter) to the holder of this Warrant in the form of a certificate, certified and confirmed by the Board of Directors of the Company, setting forth such adjustment or readjustment and showing in reasonable detail the facts upon which such adjustment or readjustment is based.

7. **Fractional Shares.** The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares that shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrants Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 7, be issuable on the exercise of this Warrant, the Company shall, at its option, (i) pay an amount in cash equal to the Exercise Price multiplied by such fraction or (ii) round the number of Warrant Shares issuable, up to the next whole number.
8. **Sale or Merger the Company.** The Company will give Warrant Holder 15-day written notice before the event of a sale of all or substantially all of the assets of the Company or the merger or consolidation of the Company in a transaction in which the Company is not the surviving entity (a "Fundamental Transaction"). The Company shall not enter into or be party to such Fundamental Transaction unless the surviving entity assumes in writing all of the obligations of the Company under this Warrant pursuant to written agreements in form and substance satisfactory to the Warrant Holder and approved by the Warrant Holder prior to such Fundamental Transaction, including agreements to deliver to the Warrant Holder in exchange for this Warrant a security of the surviving entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the shares of Common Stock reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and satisfactory to the Warrant Holder.

9. **Issuance of Substitute Warrant.** In the event of a merger, consolidation, recapitalization or reorganization of the Company or a reclassification of Company shares of stock, which results in an adjustment to the number of shares subject to this Warrant hereunder, the Company agrees to issue to the Warrant Holder a substitute Warrant reflecting the adjusted number of shares upon the surrender of this Warrant to the Company.

10. **Listing of Shares.** The Company shall promptly secure the listing of all of the Warrant Shares issuable hereunder upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed (subject to official notice of issuance) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of Warrant Shares.

11. **Noncircumvention.** The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Warrant Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the this Warrant, 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of this Warrant (without regard to any limitations on exercise).

12. **Notice.** All notices and other communications hereunder shall be in writing and shall be deemed to have been given (i) on the date they are delivered if delivered in person; (ii) on the date initially received if delivered by facsimile transmission followed by registered or certified mail confirmation; (iii) on the date delivered by an overnight courier service; or (iv) on the third business day after it is mailed by registered or certified mail, return receipt requested with postage and other fees prepaid as follows:

If to the Company:

HealthWarehouse.com, Inc.
7107 Industrial Road
Florence, KY 42042
Fax: (866) 821-3784
Attn: Chief Executive Officer

with a copy (for informational purposes only) to:

Kenneth Tabach, Esq.
Silver, Freedman, Taff & Tiernan, LLP
3239 K Street, NW, Suite 100
Washington, D.C. 20007
Telephone: 202-295-4500
If to the Warrant Holder:

Melrose Capital Advisors, LLC
c/o Statman, Harris & Eyrich, LLC
441 Vine Street, 37th Floor
Cincinnati, Ohio 45202

With a copy (for informational purposes only) to:

Statman Harris & Eyrich, LLC
441 Vine Street, 37th Floor
Cincinnati, Ohio 45202
Attn: Fern Goldman

13. Loss of Warrant. Upon receipt by the Company of satisfactory evidence of loss, theft, destruction or mutilation of this Warrant and of indemnity satisfactory to the Company, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date and any such lost, stolen or destroyed Warrant shall thereupon become void.


a. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Warrant may be amended only in writing and signed by the Company and the Warrant Holder.

b. Nothing in this Warrant shall be construed to give to any person or corporation other than the Company and the Warrant Holder any legal or equitable right, remedy or cause of action under this Warrant; this Warrant shall be for the sole and exclusive benefit of the Company and the Warrant Holder.

c. This Warrant shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof. Each party irrevocably submits and consent to the exclusive jurisdictions of the United States District Courts of the State of Delaware, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the State of Delaware, and hereby agrees that such courts shall be the exclusive proper forum for the determination of any dispute arising hereunder.

d. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

e. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonably substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

f. The Warrant Holder shall not, by virtue hereof, be entitled to any voting or other rights of a shareholder of the Company, either at law or equity, and the rights of the Warrant Holder are limited to those expressed in this Warrant.

g. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Warrant Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Warrant Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required. If any action, suit, or other proceedings is instituted concerning or arising out of this Warrant, the prevailing party shall recover all of such party's costs and reasonable attorney's fees incurred in each such action, suit, or other proceeding, including any and all appeals or petitions from any such action, suit or other proceeding.

h. From and after the date of this Warrant, upon the request of the Warrant Holder or the Company, the Company and the Warrant Holder shall execute and deliver such instruments, documents or other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Warrant.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by the authorized officer as of the Grant Date first above stated.

Healthwarehouse.com, Inc.

By: /s/ Lalit Dhadphale
Name: Lalit Dhadphale, President and Chief Executive Officer
FORM OF ELECTION TO PURCHASE

(To be executed by the Warrant Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: HealthWarehouse.com, Inc.

In accordance with the Warrant enclosed with this Form of Election to Purchase, the undersigned hereby irrevocably elects to purchase \[\text{___________}\] shares of Common Stock, par value \$0.001 per share ("Common Stock"), of HealthWarehouse.com, Inc. and encloses one warrant and \$\text{___________}\ for each Warrant Share being purchased or an aggregate of \$\text{___________}\ in cash or certified or official bank check or checks, which sum represents the aggregate Exercise Price (as defined in the Warrant) together with any applicable taxes payable by the undersigned pursuant to the Warrant. The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

________________________________________________________________________

(Please print name and address)

________________________________________________________________________

(Please insert Social Security or Tax Identification Number)

If the number of shares of Common Stock issuable upon this exercise shall not be all of the shares of Common Stock which the undersigned is entitled to purchase in accordance with the enclosed Warrant, the undersigned requests that a New Warrant (as defined in the Warrant) evidencing the right to purchase the shares of Common Stock not issuable pursuant to the exercise evidenced hereby be issued in the name of and delivered to:

________________________________________________________________________

(Please print name and address)

Dated: \[\text{___________}\]

Name of Warrant Holder:

(Print) \[\text{___________}\]

(By:) \[\text{___________}\]

(Name:) \[\text{___________}\]

(Title:) \[\text{___________}\]

Signature must conform in all respects to name of Warrant Holder as specified on the face of the Warrant
FORM OF ASSIGNMENT PURSUANT TO SECTION 4(a)

(To be executed by the registered holder if such holder desires to transfer the Warrant Certificate.)

FOR VALUE RECEIVED hereby sells, assigns and transfers unto

____________________________________________________________

(Please print name and address of transferee)

this Warrant Certificate, together with all right, title and interest therein, and hereby irrevocably constitutes and appoints ____________________________ Attorney, to transfer the within Warrant Certificate on the books of the within-named Company, with full power of substitution.

Dated: ______________________

Signature: ____________________________

(Signature must confirm in all respects to name of holder as specified on the face of the Warrant Certificate.)

(Insert Social Security or Other Identifying Number of Assignee).

- 8 -
Letter Agreement between HealthWarehouse.com, Inc.
and Melrose Capital, LLC

Reference is made to the following documents: (i) Warrant to purchase 150,000 shares of common stock of HealthWarehouse.com, Inc. dated September 30, 2013 and issued to Melrose Capital Advisors, LLC; (ii) Warrant to purchase 150,000 shares of common stock of HealthWarehouse.com, Inc. dated March 28, 2014 and issued to Melrose Capital Advisors, LLC; and (iii) Warrant to purchase 75,000 shares of common stock of HealthWarehouse.com, Inc. dated April 30, 2014 and issued to Melrose Capital Advisors, LLC.

In consideration of Melrose Capital Advisor, LLC entering into the Loan Extension Agreement dated November 10, 2015 and the Amended and Restated Promissory Note dated November 10, 2015, HealthWarehouse.com, Inc. and Melrose Capital Advisors, LLC. Have agreed to modify the Exercise Price Per Share, as defined in the above referenced Warrants, from $0.35 (thirty-five cents) to $0.12 (twelve cents). All other terms of the above referenced Warrants will remain the same.

Accepted and agreed to on November 11, 2015 by:

HealthWarehouse.com, Inc.

By: /s/ Lalit Dhapdphale
    Lalit Dhapdphale
    President & Chief Executive Officer

Melrose Capital Advisors, LLC.

By: /s/ Timothy Reilly
    Timothy Reilly
    Managing Member
This Loan Extension Agreement (the “Agreement”) is entered into as of November 11, 2015 (the “Execution Date”), to be effective as of November 1, 2015 (the “Effective Date”), by and between HEALTHWAREHOUSE.COM, INC., a Delaware corporation, HWAREH.COM, INC., a Delaware corporation, and HOCKS.COM, INC., an Ohio corporation, jointly and severally, (collectively, “Borrower”), and MELROSE CAPITAL ADVISORS, LLC, an Ohio limited liability company (together with its successors and assigns, “Lender”).

WHEREAS, Borrower is indebted to Lender pursuant to the Amended and Restated Promissory Note most recently dated March 1, 2015, in the original principal amount of $750,000 (the “Note”);

WHEREAS, the Note is secured by the following (collectively, the “Collateral”): (i) a Security Agreement from Borrower dated March 28, 2013, covering all business assets, including but not limited to accounts, inventory, equipment, deposit accounts and general intangibles; (ii) UCC-1 financing statements filed in the appropriate offices to perfect the Lender’s security interests; (iii) Deposit Account Control Agreement dated August 18, 2014 between Borrower, Lender and BB&T Corporation (formerly known as The Bank of Kentucky, Inc.) with respect to Borrower’s deposit accounts at BB&T and (iv) Deposit Account Control Agreement dated October 22, 2015 between Borrower, Lender and Cheviot Savings Bank with respect to Borrower’s deposit accounts at Cheviot (collectively, the “Security Agreements” and together with the Note and all other documents executed in connection with the loans evidenced by the Note, as such have been amended and/or restated, will be collectively referred to herein as the “Loan Documents”);

WHEREAS, the Note matured on November 1, 2015 and became due and payable in full and remains unpaid;

WHEREAS, an Event of Default occurred under Section 9(iv) of the Note on August 21, 2015, based on a violation of Section 7(b) of the Note, which provides that the Borrower will not “incur or permit to exist any…lien or charge of any kind upon any of its property,” for a period of 10 days. Northlich, a creditor of Borrower, obtained a judgment against Borrower in the Boone County Circuit Court in the amount of $83,766.21, plus interest and costs (the “Judgment”), on August 11, 2015, and the Court issued a Notice of Judgment Lien on such date. Therefore, an Event of Default occurred on August 21, 2015 — 10 days after the date on which the judgment lien arose (the “Lien Default”);

WHEREAS, Lender further notified Borrower by letter dated September 15, 2015 that an Event of Default exists under Section 9(vii) of the Note due to an Order of Garnishment on the Borrower’s deposit accounts at BB&T by Northlich, to satisfy the Judgment, “which could reasonably be expected to have a material adverse effect on the Collateral [Lender’s security interest in deposit accounts] or on Borrower's financial condition, operations, assets or prospects” (the “Collateral Default”, and together with the “Lien Default”, collectively, the “Existing Defaults”);

WHEREAS, Lender filed an objection to the Northlich garnishment with the Court, and the Court is currently reviewing the pleadings filed by the parties to the case to determine whether the garnished funds in the amount of the Judgment will be paid to Northlich or to Lender;

WHEREAS, Borrower has requested Lender to, and Lender has agreed to, temporarily extend the term of the Note while the Court is making its decision which may cure the Existing Defaults, and to temporarily increase the principal amount of the Note to meet the Borrower’s current working capital needs;
WHEREAS, Borrower acknowledges and agrees that, as of November 10, 2015, they owe the Lender the principal amount of $750,000.00, plus accrued interest on the Note, expenses and costs (collectively, the “Obligations”);

WHEREAS, Borrower and Lender desire to enter into this Agreement in order to set forth their agreement regarding the extension of the Note by Lender;

NOW THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. Extension Period. At the request of Borrower, Lender agrees to extend the maturity date of the Note until December 31, 2015 (the “Extension Period”), on the following conditions (the “Extension Conditions”):

   (a) Borrower will execute and deliver to Lender an amended and restated Note in the amount of $1,000,000.00 in the form of Exhibit A attached hereto, with a maturity date of December 31, 2015 (the “Restated Note”).

   (b) Borrower will pay interest on the Restated Note at the rates and times set forth in the Restated Note, and comply with all of the terms and conditions of the Restated Note.

   (c) If the Court determines that Lender has the first and best lien on the funds at BB&T, such funds will be paid to Lender to be applied as a principal payment on the Restated Note.

   (d) Borrower agrees to pay to Lender all of Lender’s reasonable out of pocket costs and expenses, including attorneys’ fees, in connection with this Agreement.

   (e) The Note will be due and payable in full on December 31, 2015 (the “Maturity Date”). Notwithstanding anything to the contrary set forth in the Loan Documents, the Obligations and all amounts due under the Loan Documents shall be immediately due and payable on the Maturity Date.

   (f) The Loan Documents are hereby deemed to be amended to incorporate the modifications set forth in this Agreement, including but not limited to the Maturity Date.

2. Termination of Extension Period. (a) If Borrower breaches any Extension Condition, or if any Event of Default (as hereinafter defined) occurs during the Extension Period (other than the Existing Defaults), the Extension Period and all extensions, deferrals and indulgences granted by Lender under this Agreement shall automatically terminate, and Lender shall thereupon have, and shall be entitled to exercise, any and all rights and remedies which it may have upon the occurrence of any Event of Default under any of the Loan Documents and applicable law.

   (b) No extension, delay or inaction by Lender in the exercise of its rights and remedies, and no continuing performance by Lender or Borrower under the Note or the Loan Documents: (i) shall constitute: (A) a modification or an alteration of the terms, conditions or covenants of the Note or the Loan Documents, all of which remain in full force and effect; or (B) a waiver, release or limitation upon Lender’s exercise of any of its rights and remedies thereunder, all of which are hereby expressly reserved; or (ii) shall relieve or release Borrower in any way from any of their duties, obligations, covenants or agreements under the Note or the other Loan Documents or from the consequences of the Existing Defaults or any other Event of Default thereunder. Lender is not obligated to waive the Existing Defaults or any other Event of Default which may occur after the date of this Agreement.
3. **Security.** The Restated Note and the Obligations shall continue to be secured by such Collateral as secured the Notes prior to the execution of this Agreement, including but not limited to the Loan Documents, without change or modification of any kind.

4. **Events of Default.** Borrower will be in default under the terms of this Agreement upon the occurrence of any of the following events (“Event of Default”):

   a. Failure to make any payment to Lender when due or any payment made to Lender is returned for any reason as “unpaid”;
   b. Failure to execute any documents reasonably requested by Lender to evidence the Obligations or perfect its security interests;
   c. Any litigation is initiated against Borrower which litigation might materially affect Lender’s rights hereunder or the likelihood of Lender receiving any payments required hereby;
   d. The occurrence of any Event of Default, as that term is defined in the Loan Documents;
   e. Any representation made herein to Lender is materially false or inaccurate when made;
   f. Lender deems itself insecure with respect to the repayment of the Obligations, based upon facts or events unknown to Lender as of the date of this Agreement or arising subsequent to the date of this Agreement;
   g. Any material adverse change in the financial condition of Borrower; or
   h. Borrower breaches any provision of this Agreement.

Upon the occurrence of any Event of Default, (i) the full amount of the Obligations, together with all accrued interest, shall be immediately due and payable in full without notice or demand of any kind; (ii) Lender shall be entitled to proceed with any and all rights and remedies available to it to collect the Obligations and/or any other sums owed Lender; (iii) Borrower waives presentment, protest, notice of dishonor and notice of non-payment; and (iv) the interest rate on the Obligations may be increased to the Default Rate set forth in the Note, in Lender’s sole discretion, until the Obligations are repaid in full, whether or not judgment shall be entered in favor of Lender.

5. **Release.** Borrower hereby releases and/or forever discharges Lender, including its members, managers, employees, agents, attorneys, officers, directors, representatives and affiliates, (collectively “Lender Parties”) from any and all claims, demands, actions, causes of action, liabilities, losses or costs, whether known or unknown, which they have, may have, claim to have or allege to have against Lender Parties as of the Execution Date, which relate to this Agreement or the terms of this Agreement, or any instrument executed prior to the date of this Agreement including the Loan Documents, and/or any other actions taken or not taken by the Lender Parties in connection with the Obligations prior to the Execution Date.

6. **General.**

   (a) Borrower acknowledges that Lender has made no oral representations to them with respect to this Agreement and that all prior understandings between the parties are merged into the Agreement. This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof and this Agreement may not be modified or amended except in a writing signed by the parties hereto.

   (b) Borrower represents to Lender that the Note and Loan Documents constitute unconditional, absolute, valid and enforceable obligations of Borrower. Borrower has no defenses, set offs, counterclaims, discounts or charges of any kind against Lender, its officers, directors, employees, agents or attorneys with respect to the Note and Loan Documents which would or might affect (a) the enforceability of any provisions of any of the Loan Documents or (b) the collectability of sums advanced by Lender in connection with the Obligations.
(c) This Agreement is entered into freely and voluntarily by Borrower, and Borrower has had the opportunity to have this Agreement reviewed by legal counsel of their own choosing and acknowledges that they have reviewed this Agreement, that their understanding of this Agreement is based upon such review and not based upon any statements, representations or actions of Lender, and that the execution of this Agreement is not under duress or coercion.

(d) Each party to this Agreement agrees that the terms and conditions of this Agreement are the result of arms-length negotiations between the parties and that this Agreement shall not be construed in favor of or against any party by reason of the extent to which any party, or its counsel, participated in the drafting of this Agreement.

(e) This Agreement will be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.

(f) All representations, warranties and covenants made by Borrower herein will survive the execution and delivery of this Agreement.

(g) This Agreement will, in all respects, be governed and construed in accordance with the laws of the State of Ohio without regard to its conflict of laws principles.

(h) This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

(i) BORROWER WAIVES THE RIGHT TO A TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(j) EACH BORROWER AUTHORIZES ANY ATTORNEY OF RECORD TO APPEAR FOR THEM IN ANY COURT OF RECORD IN THE STATE OF OHIO, AFTER THE OBLIGATIONS BECOME DUE AND PAYABLE, WHETHER BY THEIR TERMS OR UPON DEFAULT, TO WAIVE THE ISSUANCE AND SERVICE OF PROCESS, AND RELEASE ALL ERRORS AND RIGHTS OF APPEAL, AND CONFESS A JUDGMENT AGAINST THEM IN FAVOR OF THE HOLDER OF SUCH OBLIGATIONS, FOR THE PRINCIPAL AMOUNT OF SUCH OBLIGATIONS PLUS INTEREST THEREON, TOGETHER WITH COURT COSTS AND ATTORNEYS' FEES. STAY OF EXECUTION AND ALL EXEMPTIONS ARE HEREBY WAIVED. EACH BORROWER ALSO AGREES THAT THE ATTORNEY ACTING FOR THEM AS SET FORTH IN THIS PARAGRAPH MAY BE COMPENSATED BY LENDER FOR SUCH SERVICES, AND BORROWER WAIVES ANY CONFLICT OF INTEREST CAUSED BY SUCH REPRESENTATION AND COMPENSATION ARRANGEMENT. IF AN OBLIGATION IS REFERRED TO AN ATTORNEY FOR COLLECTION, AND THE PAYMENT IS OBTAINED WITHOUT THE ENTRY OF A JUDGMENT, THE OBLIGOR WILL PAY TO THE HOLDER OF SUCH OBLIGATION ITS ATTORNEYS' FEES.

- 4 -
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.

HEALTHWAREHOUSE.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer

HWAREH.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer

HOCKS.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer

MELROSE CAPITAL ADVISORS, LLC

By: /s/ Timothy Reilly
Name: Timothy Reilly
Title: Managing Member
AMENDED AND RESTATED PROMISSORY NOTE

$1,000,000.00

November 11, 2015, to be effective as of November 1, 2015 ("Effective Date")

FOR VALUE RECEIVED, the undersigned, HEALTHWAREHOUSE.COM, INC., a Delaware corporation, HWAREH.COM, INC., a Delaware corporation, and HOCKS.COM, INC., an Ohio corporation, jointly and severally, (collectively, "Borrower"), with an address at 7107 Industrial Road, Florence, Kentucky 41042, hereby promise to pay to the order of MELROSE CAPITAL ADVISORS, LLC, an Ohio limited liability company (together with its successors and assigns, "Lender"), in lawful money of the United States of America in immediately available funds with an address at c/o Statman, Harris & Eyrich, LLC, 441 Vine Street, 37th Floor, Cincinnati, Ohio 45202, or at such other location as the Lender may designate from time to time, the principal sum of ONE MILLION AND 00/100 DOLLARS ($1,000,000.00) together with interest accruing from the date hereof at the rate or rates and in the manner hereinafter provided on the principal balance hereof from time to time outstanding, as provided below.

1. **Interest.** Interest will be charged on the unpaid principal balance of this Note until the full amount of principal has been paid at a floating rate equal to the Prime Rate plus 4.25% per annum. As used herein, "Prime Rate" means the rate publicly announced by PNC Bank, N.A. from time to time as its prime rate. The Prime Rate is determined from time to time by PNC Bank, N.A. as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by PNC Bank, N.A. to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest on this Note will change automatically without notice to the Borrower, effective on the date of any such change. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

2. **Payments.** Borrower will make monthly payments of accrued interest on the first day of every month, beginning on December 1, 2015, and continuing on the first day of each month thereafter.

On December 31, 2015 ("Maturity Date"), the entire unpaid principal balance of this Note and all accrued and unpaid interest shall be due and payable in full.

3. **Loan Documents; Restatement.** This Note is executed in connection with and is secured by any and all documents and instruments now or in the future given to the Lender to evidence or secure the loans hereunder (collectively, the "Loan Documents"), including but not limited to the following: (i) a Loan Extension Agreement of even date herewith between Borrower and Lender (the "Agreement"), (ii) Security Agreement from HEALTHWAREHOUSE.COM, INC., HWAREH.COM, INC and HOCKS.COM, INC., dated March 28, 2013, covering all business assets, including but not limited to accounts, inventory, equipment and general intangibles, (iii) Deposit Account Control Agreement dated August 18, 2014 between Borrower, Lender and The Bank of Kentucky, Inc. with respect to Borrower’s deposit accounts and (iv) Deposit Account Control Agreement between Borrower, Lender and Cheviot Savings Bank with respect to Borrower’s deposit accounts ((ii), (iii) and (iv), collectively, the “Collateral”).

This Note amends and restates, and is in substitution for, that certain Amended and Restated Promissory Note dated March 1, 2015 in the original principal amount of $750,000.00 payable to the order of the Lender, as amended by the Amendment to Amended And Restated Promissory Note dated September 1, 2015 (the "Existing Note"). However, this Note shall in no way extinguish, cancel or satisfy Borrower’s unconditional obligation to repay all indebtedness evidenced by the Existing Note or constitute a novation of the Existing Note. Nothing herein is intended to extinguish, cancel or impair the lien priority or effect of any security agreement with respect to the Borrower’s obligations hereunder and under any other document relating hereto.
4. **Representations.** In order to induce Lender to extend the credit accommodations provided in this Note, Borrower hereby represents and warrants to Lender the following:

(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 Borrower (on a consolidated basis). 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 Borrower, will constitute the legal, valid and binding obligations of 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 Borrower or its property, and no proceedings before any governmental body are pending or threatened against Borrower or its property, except as set forth on Schedule 4(b). None of such proceedings listed on Schedule 4(b) (if any) are reasonably expected to have a material adverse effect on Borrower (on a consolidated basis).

(c) Borrower is in compliance with all material laws, regulations, rulings, orders, injunctions, decrees, conditions or other requirements applicable to or imposed upon Borrower by any law or by any governmental authority, court or agency with jurisdiction over Borrower. 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. Borrower has paid all taxes which are now due and payable except those which currently are being contested in good faith by appropriate proceedings and for which Borrower has set aside adequate reserves or made other adequate provision with respect thereto. No taxing authority has asserted or assessed any additional tax liabilities against Borrower which are outstanding on the Effective Date, and Borrower has not filed for any extension of time for the payment of any tax or the filing of any tax return or report.

(d) All financial information relating to Borrower which has been or may hereafter be delivered by Borrower or on its behalf to Lender is true and correct and 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). Borrower has no material obligations or liabilities of any kind not disclosed in that financial information, and there has been no material adverse change in the financial condition of Borrower nor has Borrower suffered any damage, destruction or loss which has adversely affected its business or assets since the submission of the most recent financial information to Lender.

(e) **Other than the Existing Defaults, as defined in the Agreement,** there does not exist any Event of Default under this Note or any default or violation by Borrower of or under any of the terms, conditions or obligations of: (i) its organizational documents; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound that is material to Borrower; or (iii) 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 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.
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 the following ("Permitted Liens"): (i) current taxes and assessments not yet due and payable, (ii) liens to Amerisourcebergen Drug Corporation which are subordinated to the liens to Lender pursuant to a lien subordination agreement acceptable to Lender, (iii) liens to Smart Fill Management Group, Inc. which are junior to the liens to Lender, (iv) liens to Wells Fargo Bank, N.A. on specific equipment, and (v) liens to The Mission Bank on specific equipment.

None of the Loan Documents contains any untrue statement of material fact or omits a material fact necessary in order to make the statements contained in this Note or the Loan Documents not misleading. There is no fact known to Borrower which materially adversely affects or, so far as Borrower 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 Borrower (on a consolidated basis) and which has not otherwise been fully set forth in this Note.

5. **Financial Information**. 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, and shall give representatives of the Lender access thereto at all reasonable times, including permission to examine, copy and make abstracts from any of such books and records and such other information as the Lender may from time to time reasonably request, and Borrower will make available to the Lender for examination copies of any reports, statements and returns which Borrower may make to or file with any federal, state or local governmental department, bureau or agency. Borrower 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 month in each year, beginning March 31, 2015, and in any event within thirty (30) days after the end of each calendar month, an internally prepared balance sheet of Borrower as of the end of such month, and statements of cash flows, shareholders' equity of Borrower for such month and income statements, certified as complete and correct by the principal financial officer of Borrower, subject to changes resulting from year-end adjustments;

(b) As soon as practicable after the end of each calendar quarter beginning March 31, 2015, and in any event within forty five (45) days after the end of each calendar quarter, a consolidated balance sheet of Borrower as of the end of such quarter, and consolidated statements of cash flows, shareholders’ equity of Borrower for such quarter, certified as complete and correct by the principal financial officer of Borrower, subject to changes resulting from year-end adjustments; provided, however, that Borrower may deliver its Form 10-Q filed with the SEC at the time required herein to satisfy this requirement.

(c) As soon as practicable after the end of each fiscal year, beginning with the fiscal year ending December 31, 2014, and in any event within one hundred twenty (120) days after the end of each fiscal year, audited financial statements of Borrower, including, a balance sheet of Borrower as of the end of such year, and statements of cash flows, owners' equity of Borrower 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 Borrower and reasonably satisfactory to Lender, which report and opinion shall be prepared in accordance with generally accepted auditing standards; provided, however, that Borrower may deliver its Form 10-K filed with the SEC at the time required herein to satisfy this requirement.

(d) With reasonable promptness, such other data and information as from time to time may be reasonably requested by Lender.
6. **Affirmative Covenants.** Borrower agrees that from the date of execution of this Agreement until this Note is repaid in full Borrower will:

   (a) Pay and discharge when due all indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon Borrower, its income, profits, property or business, except those which currently are being contested in good faith by appropriate proceedings and for which Borrower shall have set aside adequate reserves or made other adequate provision with respect thereto acceptable to the Lender in its reasonable discretion.

   (b) Do all things necessary to (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; (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).

7. **Negative Covenants.** Borrower agrees that from the date of execution of this Agreement until this Note is repaid in full 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 and not past due; (iii) existing indebtedness secured by the Permitted Liens; and (iv) indebtedness in respect of purchase money financings of equipment in an amount not in excess of $250,000.00 in the aggregate outstanding.

   (b) Create, assume, incur or permit to exist any mortgage, pledge, encumbrance, security interest, 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 and liens securing purchase money indebtedness permitted pursuant to Section 7(a) above, with the liens limited to the equipment purchased.

   (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) Make or permit any change (i) in its form of organization or (ii) in the nature of its business as carried on as of the date hereof.

(g) Declare or pay any dividends on or make any distribution with respect to any class of its equity or ownership interest, or purchase, redeem, retire or otherwise acquire any of its equity.

(h) Make acquisitions of all or substantially all of the property or assets of any person, firm, corporation or other entity.

8. **Events of Default.** The following events shall constitute events of default under this Note (each, an “Event of Default”):

   (i) Borrower fails 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 thereafter;

   (ii) any representation or warranty made by Borrower herein or in any of the other Loan Documents is incorrect in any material respect when made or reaffirmed;

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

   (iv) 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 10 days;

   (v) Borrower defaults under any other debt, liability or obligation to the Lender, or fails to pay or to otherwise observe and perform any obligations imposed upon Borrower under any indebtedness in excess of $100,000.00 (“Material Indebtedness”), if such default shall continue for more than the period of grace, if any, specified therein;

   (vi) if any other Event of Default (said term being defined in this Note as it is defined in the Loan Documents) should occur and shall continue for more than the period of grace, if any specified therein;

   (vii) any event occurs which could reasonably be expected to have a material adverse effect on the Collateral or on Borrower's financial condition, operations, assets or prospects;

   (viii) the entry of any judgment or lien against Borrower by or in favor of any third person in excess of $10,000.00 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; and

   (ix) 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.
9. **Remedies.** Upon the occurrence of an Event of Default, in addition to any other action permitted to be taken by Lender hereunder or under any other of the Loan Documents: (a) at the option of Lender for so long as any Event of Default shall continue to exist, the unpaid principal balance of this Note shall, for the period beginning with the date of the occurrence of the Event of Default and continuing for so long as any Event of Default exists, bear interest at a rate (the “Default Rate”) equal to five percent (5.0%) per annum above the otherwise applicable interest rate; and (b) Lender may, at its option, and regardless of whether Lender shall have exercised the option provided for in clause (a) of this paragraph, declare the entire unpaid principal balance of this Note and all accrued but unpaid interest hereon any other sums then payable in accordance with this Note to be immediately due and payable, whereupon all such sums shall be immediately due and payable and shall thereafter bear interest at the Default Rate and Lender shall have the remedies of a secured party under the laws of the State of Ohio with respect to all property mortgaged or pledged as security for this Note and all of the rights and remedies available under the Loan Documents. No delay or omission on the Lender’s part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Lender’s action or inaction impair any such right or power. All remedies provided for herein upon any default by Borrower shall be cumulative and not exclusive.

Borrower hereby agrees that: (a) in addition to any other right, after any Event of Default, Borrower will pay to Lender upon demand any and all reasonable costs, expenses and fees, including without limitation reasonable attorneys’ fees incurred before or after suit is commenced in enforcing payment hereof; (b) Borrower waives all setoffs and any and all applicable exemption rights; and (c) the acceptance by Lender of any late payment or other performance which does not strictly comply with the terms of this Note or of any Loan Document shall not be deemed to be a waiver of any rights of Lender arising as a result of such failure to comply.

10. **Waivers.** 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. Borrower hereby waives all relief from any and all appraisement or exemption laws now in force or hereafter enacted.

11. **General.**

If any provision of this Note is found to be invalid by a court, all the other provisions of this Note will remain in full force and effect. In no event shall the interest rate charged on this Note exceed the maximum rate of interest permitted under applicable state and/or federal usury laws. Any payment of interest that would be deemed unlawful under applicable laws for any reason shall be deemed received on account of, and will automatically be applied to reduce, the principal sum outstanding and any other sums (other than interest) due and payable to Lender under this Note, and the provisions hereof shall be deemed amended to provide for the highest rate of interest permitted under applicable law.

Borrower agrees that there are no conditions or understandings which are not expressed in this Note and the documents referred to herein. No modification, amendment or waiver of, or consent to any departure by Borrower from, any provision of this Note will be effective unless made in a writing signed by the Lender and Borrower and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.
Any and all references in this Note to any other document or documents shall be references to such other document or documents as the same may from time to time be modified, amended, renewed, consolidated or extended.

The term “Borrower” as used herein shall include the undersigned and its successors and assigns; provided, however, that Borrower may not assign its obligations hereunder and Lender may assign this Note at any time (i) to a person or entity related to Lender; (ii) with the prior written consent of Borrower, as long as no Event of Default exists and (iii) without the consent of Borrower if any Event of Default exists, but with prior written notice to Borrower (unless Lender is prohibited by law from sending such notice). If there is more than one Borrower hereunder, their obligations shall be joint and several.

12. **Jurisdiction.** This Note shall be governed by Ohio law. Borrower hereby submits to personal jurisdiction in the federal and state courts in Hamilton County, Ohio; waives any and all personal rights under the laws of any state or country to object to jurisdiction within the State of Ohio for the purposes of litigation to enforce this Note, or any other Loan Document; and consents to be sued in the federal and state courts in Hamilton County, Ohio. Nothing contained in this Note, however, shall prevent Lender from bringing any action or exercising any rights under this Note within any other state or country. Borrower agrees that service of process may be made, and personal jurisdiction over Borrower obtained, by serving a copy of the Summons and Complaint upon Borrower at its address set forth in this Note in accordance with the applicable laws of the State of Ohio.

13. **WAIVER OF JURY TRIAL.** BORROWER HEREBY WAIVES THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS NOTE.

14. **CONFESSION OF JUDGMENT.** Borrower authorizes any attorney to appear in any court of record in or of the State of Ohio, after this Note becomes due and payable, whether by its terms or upon default, to waive service of process and enter judgment by confession against Borrower in favor of the Lender or any holder hereof for the outstanding principal of and accrued but unpaid interest on this Note, plus all costs of collection, including, without limitation, court costs and reasonable attorney’s fees, and thereby to waive and release all errors in the proceedings and judgment, and all rights of appeal from such judgment and stay of execution. Stay of execution and all exemptions are hereby waived. Borrower also agrees that the attorney acting for Borrower as set forth in this paragraph may be compensated by Lender for such services, and Borrower waives any conflict of interest caused by such representation and compensation arrangement. If an obligation is referred to an attorney for collection, and the payment is obtained without the entry of a judgment, the obligors will pay to Lender its attorneys' fees.
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.

HEALTHWAREHOUSE.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer

HWAREH.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer

HOCKS.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & Chief Executive Officer
DEPOSIT ACCOUNT CONTROL AGREEMENT

THIS DEPOSIT ACCOUNT CONTROL AGREEMENT (the “Agreement”) is made and entered into as of October 22, 2015, by and among CHEVIOT SAVINGS BANK (“Depository Bank”), HEALTHWAREHOUSE.COM, INC., a Delaware corporation, HWAREH.COM, INC., a Delaware corporation and HOCKS.COM, INC., an Ohio corporation, (collectively, “Borrower”), and MELROSE CAPITAL ADVISORS, LLC, an Ohio limited liability company (“Lender”).

RECITALS

A. Depository Bank has established one or more deposit accounts and/or money market accounts in the name of Borrower described on Exhibit A (collectively, the “Accounts”).

B. Borrower and Lender have entered into (i) an Amended and Restated Promissory Note most recently dated March 1, 2015 (the “Note”) and (ii) Security Agreements whereby Borrower has granted Lender a security interest in the Accounts. Depository Bank is not a party to such agreements and, as to Depository Bank, only terms set forth and/or defined in this Agreement apply.

C. Lender, Borrower and Depository Bank are entering into this Agreement to perfect the security interest of Lender in the Accounts.

AGREEMENTS

1. Subordination of Security Interest; Fees. Depository Bank hereby subordinates to Lender all security interests, encumbrances, claims and rights of setoff it may have, now or in the future, against the Accounts or any funds in the Accounts other than (i) in connection with the payment of Depository Bank’s customary fees and charges pursuant to its agreements with Borrower, as currently in effect and as modified by Depository Bank from time to time, (ii) for the reversal of provisional credits, and (iii) for returned or dishonored items.

2. Control of Accounts. Depository Bank will comply with all instructions it receives from Lender directing disposition of funds in the Accounts without further consent of Borrower. Until Depository Bank receives a notice from Lender that it is exercising control over the Accounts (“Notice of Control”), Borrower also may withdraw funds and otherwise deal with the Accounts as the owner, and Depository Bank may honor all of Borrower’s instructions with respect to the Accounts without further consent of Lender. Lender will only issue a Notice of Control after the occurrence of an Event of Default (as defined in the Note). After Depository Bank receives a Notice of Control from Lender, neither Borrower nor any other person or entity through or under Borrower shall have any control over the use of, or any right to withdraw any amount from, the Accounts, and Depository Bank will thereafter comply only with instructions originated by Lender directing disposition of funds in the Accounts without any consent of Borrower. Depository Bank has not and will not agree with any third party to comply with instructions or other directions concerning the Accounts or the disposition of funds in the Accounts originated by such third party without the prior written consent of Lender and Borrower. In the event of a conflict between this Agreement and any other agreement between Depository Bank and Borrower, the terms of this Agreement will prevail. There is no minimum required balance for the Accounts.

3. Limitation of Liability of Depository Bank. Except as provided in paragraph 5, Depository Bank shall have no responsibility or liability to Lender for complying with instructions concerning the Accounts from Borrower or Borrower’s authorized representatives which are received by Depository Bank before Depository Bank receives a Notice of Control. Depository Bank shall have no responsibility or liability to Borrower for complying with a Notice of Control or complying with instructions concerning the Accounts originated by Lender, and shall have no responsibility to investigate the appropriateness of any such instruction or Notice of Control.

4. Statements. Depository Bank shall provide Lender with duplicate copies of the regular monthly bank statements provided to Borrower with respect to the Accounts. Any applicable fees therefor shall be charged to the Accounts.
5. **Exculpation of Depository Bank; Indemnification.**

   (a) Borrower and Lender agree that Depository Bank shall have no liability to either of them for any loss or damage that either or both may claim to have suffered or incurred, either directly or indirectly, by reason of this Agreement or any transaction or service contemplated by the provisions hereof, except to the extent caused by the gross negligence or willful misconduct of Depository Bank. In no event shall Depository Bank be liable for losses or delays resulting from computer malfunction, interruption of communication facilities, labor difficulties or other causes beyond Depository Bank’s reasonable control.

   (b) Borrower shall indemnify and hold Depository Bank harmless from any and all losses, claims, damages, liabilities, expenses and fees, including reasonable attorneys’ fees, resulting from the execution of or performance under this Agreement and the delivery by Depository Bank of all or any part of the funds in the Accounts to Lender pursuant to this Agreement, unless such losses, claims, damages, liabilities, expenses or fees are caused by Depository Bank’s gross negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

6. **Notices.** All notices, requests or communications (including, without limitation, a Notice of Control) given to Borrower, Lender or Depository Bank shall be given in writing (including by facsimile) at the address specified below:

   **If to Borrower:**
   c/o HEALTHWAREHOUSE.COM, INC.
   7107 Industrial Road,
   Florence, Kentucky  41042
   Attention: Lalit Dhadphale
   Fax: 888-870-2808

   **If to Lender:**
   MELROSE CAPITAL ADVISORS, LLC
   c/o Statman, Harris & Eyreich, LLC
   441 Vine Street, 37th Floor,
   Cincinnati, Ohio  45202
   Attention: Fern Goldman
   Fax: 513-621-4896

   **If to Depository Bank:**
   CHEVIOT SAVINGS BANK
   3723 Glenmore Avenue
   Cheviot, Ohio 45211-4744
   Attention: Jeff Lenzer
   Fax: 513-389-4634

Any party may change its address and/or telephone and fax numbers for notices hereunder by giving notice to each other party hereunder given in accordance with this paragraph. Each notice, request or other communication given under this paragraph shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number, if any, specified in this paragraph and confirmation of receipt by the sending party is obtained, (ii) if given by overnight courier, the next business day after such communication is deposited with the overnight courier for delivery, addressed as aforesaid, and confirmation of delivery is received, or (iii) if given by certified mail, return receipt requested, when delivered at the address specified in this paragraph.

7. **Miscellaneous.**

   (a) Depository Bank may rely, and Depository Bank shall be protected in acting, or refraining from acting, upon any notice (including but not limited to electronic facsimiles of such notice) believed by Depository Bank to be genuine and to have been given by the proper party or parties.

   (b) This Agreement may be amended only by a written instrument executed by Lender, Depository Bank and Borrower. This Agreement may be terminated by Borrower only upon delivery to Depository Bank of a written notification thereof jointly executed by Borrower and Lender. This Agreement may be terminated by Depository Bank or Lender at any time, with or without cause, upon ten (10) days prior written notice to the other parties. This Agreement will terminate when the Note is repaid in full, and Lender will notify Depository Bank and Borrower of such termination.
(c) This Agreement is the entire agreement among all of the parties hereto and supersedes all other prior agreements and understandings, both written and oral, with respect to the subject matter hereof.

(d) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(f) This Agreement shall be governed by the laws of the State of Ohio (without giving effect to its conflicts of law rules).

(g) EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS.

[Signature Pages Follow]
IN WITNESS WHEREOF, each of the parties has executed and delivered this Agreement as of the day and year first above set forth.

DEPOSITORY BANK:

CHEVIOT SAVINGS BANK

By: /s/ Jeffrey J. Lenzer

Name: Jeffrey J. Lenzer

Title: VP of Operations
BORROWER:

HEALTHWAREHOUSE.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & CEO

HWAREH.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & CEO

HOCKS.COM, INC.

By: /s/ Lalit Dhadphale
Print Name: Lalit Dhadphale
Title: President & CEO

LENDER:

MELROSE CAPITAL ADVISORS, LLC

By: /s/ Timothy E. Reilly
Name: Timothy E. Reilly
Title: Managing Member
EXHIBIT A

Deposit Accounts:

Name of Financial Institution: CHEVIOT SAVINGS BANK

Account Title(s)/Account No(s.): Hwareh.com Inc #831011812
CERTIFICATION OF C.E.O. PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, in the capacity and date indicated below, hereby certifies that:

1. I have reviewed this quarterly report on Form 10-Q of HealthWarehouse.com, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(d)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 12, 2015

/s/ Lalit Dhadphale

Lalit Dhadphale
President and Chief Executive Officer
CERTIFICATION OF C.F.O. PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, in the capacity and date indicated below, hereby certifies that:

1. I have reviewed this quarterly report on Form 10-Q of HealthWarehouse.com, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(d)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 12, 2015

/s/ Lalit Dhadphale
Lalit Dhadphale
Principal Financial Officer
CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (Chief Executive Officer)

In connection with the quarterly report of HealthWarehouse.com, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2015 as filed with the Securities and Exchange Commission (the “Report”), I, Lalit Dhadphale, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2015

/s/ Lalit Dhadphale

Lalit Dhadphale
President and Chief Executive Officer

A signed original of this written statement required by section 906 has been provided to HealthWarehouse.com, Inc. and will be retained by HealthWarehouse.com, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished to the SEC with this Report pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.
CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (Chief Financial Officer)

In connection with the quarterly report of HealthWarehouse.com, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2015 as filed with the Securities and Exchange Commission (the “Report”), I, Lalit Dhadphale, Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2015

/\ Lalit Dhadphale
Lalit Dhadphale
Principal Financial Officer

A signed original of this written statement required by section 906 has been provided to HealthWarehouse.com, Inc. and will be retained by HealthWarehouse.com, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished to the SEC with this Report pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.