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**TEXAS EMERGING TECHNOLOGY FUND  
AWARD AND SECURITY AGREEMENT  
BETWEEN THE STATE OF TEXAS**

**AND**

**COMPANY NAME**

**THIS TEXAS EMERGING TECHNOLOGY FUND AWARD AND SECURITY AGREEMENT** (this "Agreement") shall be effective as of \_\_\_\_\_, 2008 (the "Effective Date"), and is by and between the State of Texas, acting by and through the Office of the Governor Economic Development and Tourism (the "OOGEDT") and **Company Name**, a **State** corporation (the "Company").

**RECITALS**

A. Pursuant to Texas Government Code Chapter 490, the State of Texas has allocated \$200 million, to be used with the express written approval of the Governor, Lieutenant Governor, and Speaker of the House of Representatives to develop and diversify the economy of the State of Texas by expediting innovation and commercialization of research; attracting, creating, or expanding private sector entities that will promote a substantial increase in high-quality jobs; and increasing higher education applied technology research capabilities.

B. Article III, Section 52-a of the Texas Constitution expressly authorizes the State of Texas to use public funds for the public purposes of development and diversification of the economy of the State of Texas, the elimination of unemployment or underemployment in the State of Texas, or the development of commerce in the State of Texas.

C. The Governor, Lieutenant Governor, and Speaker have each approved an award from the Emerging Technology Fund to the Company, as evidenced in the letter attached as Exhibit A hereto.

D. To ensure that the benefits the OOGEDT provides under this Agreement are utilized in a manner consistent with Article III, Section 52-a of the Texas Constitution, and other laws, the Company has agreed to comply with certain conditions and deliver certain performance, in exchange for receiving the benefits associated with the award to the Company.

E. The Company and the OOGEDT desire to set forth herein the provisions relating to the awarding of such monies and the disbursement thereof to the Company.

**IN CONSIDERATION** of the Award (defined below), and the premises, covenants, agreements and provisions contained in this Agreement, the parties to this Agreement agree as follows:

### **Article I DEFINITIONS**

Section 1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set out respectively after each such term (the meanings to be equally applicable to both the singular and plural forms of the terms defined), unless the context specifically indicates otherwise:

- A. “Additional Amount” – has the meaning set forth in Section 3.02.
- B. “Additional Note” – has the meaning set forth in Section 3.04(F).
- C. “Additional Right to Purchase” – has the meaning set forth in Section 3.04(F).
- D. “Additional Unit” – has the meaning set forth in Section 3.04(F).
- E. “Agreement” – has the meaning set forth in the preamble.
- F. “Application” – has the meaning set forth in Section 2.02.
- G. “Award” – means an award of monies from the OOGEDT to the Company in an amount equal to the sum of the Initial Amount plus any Additional Amounts which may be disbursed pursuant to the terms and conditions of this Agreement.
- H. “Collateral” – has the meaning set forth in Section 4.01.
- I. “Common Stock” – has the meaning set forth in the Unit.
- J. “Company” – has the meaning set forth in the preamble.
- K. “Compliance Verification” – has the meaning set forth in Section 5.05.
- L. “Effective Date” – has the meaning set forth in the preamble.
- M. “Event of Default” – has the meaning set forth in Section 2.07.

- N. “GAAP” – has the meaning set forth in Section 1.01(U)(vi).
- O. “Initial Amount” – has the meaning set forth in Section 3.03.
- P. “Lien” – means, with respect to any asset, any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest or other security arrangement relating to such asset and any other preference, priority or preferential arrangement of any kind or nature whatsoever relating to such asset.
- Q. “Note” – has the meaning set forth in Section 3.04(B).
- R. “Office of the Governor Economic Development and Tourism” – means the Economic Development and Tourism Division within the Office of the Governor, and any designated representatives thereof.
- S. “OOGEDT” – has the meaning set forth in the preamble.
- T. “Opinion Letter” – has the meaning set forth in Section 3.04(C).
- U. “Permitted Liens” – means, with respect to any Person, any of the following:
- (i) Liens (1) with respect to the payment of taxes, assessments or other governmental charges or (2) of suppliers, carriers, materialmen, warehousemen, workmen or mechanics and other similar Liens, in each case imposed by law or arising in the ordinary course of business, and, for each of the Liens in clauses (1) and (2) above for amounts that are not yet due or that are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves or other appropriate provisions are maintained on the books of such Person;
  - (ii) Liens of a collection bank on items in the course of collection arising under Section 4.208 of the Texas UCC or any similar section under the Uniform Commercial Code of any other applicable state;
  - (iii) Liens, pledges or cash deposits made in the ordinary course of business (1) in connection with workers’ compensation, unemployment insurance or other types of social security benefits (other than any Lien imposed by ERISA), (2) to secure the performance of bids, tenders, leases (other than capital leases) sales or other trade contracts (other than for the repayment of borrowed money) or (3) made in lieu of, or to secure the performance of, surety, customs, reclamation or performance bonds (in each case not related to judgments or litigation);
  - (iv) judgment liens (other than for the payment of taxes, assessments or other governmental charges) securing judgments and other proceedings not greater

than \$50,000 and pledges or cash deposits made in lieu of, or to secure the performance of, judgment or appeal bonds in respect of such judgments and proceedings;

- (v) Liens (1) arising by reason of zoning restrictions, easements, licenses, reservations, restrictions, covenants, rights-of-way, encroachments, minor defects or irregularities in title (including leasehold title) and other similar encumbrances, restrictions or limitations on the use of real property or (2) consisting of leases, licenses or subleases granted by a lessor, licensor, sublessor or sublicensor on its property (in each case other than capital leases) otherwise permitted hereunder that, for each of the Liens in clauses (1) and (2) above, do not, in the aggregate, materially (x) impair the value or marketability of such real property or (y) interfere with the ordinary conduct of the business conducted and proposed to be conducted at such real property;
  - (vi) Liens of landlords and mortgagees of landlords (1) arising by statute or under any lease or related contractual obligation entered into in the ordinary course of business, (2) on fixtures and movable tangible property located on the real property leased or subleased from such landlord, (3) for amounts not yet due or that are being contested in good faith by appropriate proceedings diligently conducted and (4) for which adequate reserves or other appropriate provisions are maintained on the books of such Person to the extent required by generally accepted accounting principals ("GAAP");
  - (vii) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution; and
  - (viii) the title and interest of a lessor, sublessor, licensor or sublicensor in and to personal property leased, subleased, licensed or sublicensed (other than through a capital lease), in each case extending only to such personal property and any Liens arising from UCC Financing Statements filed in connection therewith.
- V. "Person" – means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or governmental agency or body.
- W. "Right to Purchase" – has the meaning set forth in Section 3.04(B).
- X. "SEC" – means the United States Securities and Exchange Commission.
- Y. "Secured Obligations" – means the prompt payment and performance when due, whether at stated maturity, by acceleration or otherwise (including the payment of amounts which would become due but for the operation of the automatic stay under Section 362 of the United States Bankruptcy Code, 11 U.S.C. § 362) of all obligations of the Company and

its successors and assigns now or hereafter existing under this Agreement and the Unit (including the Note), whether for principal, interest, costs, fees, expenses or otherwise, and any other obligation of the Company and its successors and assigns to the OOGEDT, now or hereafter owing, whether direct or indirect, primary or secondary, fixed or contingent, joint or several, regardless of how created, evidenced or arising.

- Z. “Security Term” – means the period commencing on the date of the disbursement of the Initial Amount and ending on the earlier of the date on which (i) the Company has paid all principal and interest due under the Note pursuant to the terms of this Agreement and the Unit; (ii) the OOGEDT has fully exercised the Right to Purchase under the Unit; and (iii) the OOGEDT’s Right to Purchase expires pursuant to the terms of the Unit.
  
- AA. “Texas Emerging Technology Fund” – means the “fund” as defined under the Chapter 490 of the Texas Government Code.
  
- BB. “Texas UCC” – means the Uniform Commercial Code as from time to time in effect in the State of Texas.
  
- CC. “Unit” – has the meaning set forth in Section 3.04(B).
  
- DD. The following terms have the meanings given to them in the Texas UCC and terms used herein without definition that are defined in the Texas UCC have the meanings given to them in the Texas UCC (such meanings to be equally applicable to both the singular and plural forms of the terms defined): “account”, “account debtor”, “as-extracted collateral”, “certificated security”, “chattel paper”, “commercial tort claim”, “commodity contract”, “deposit account”, “electronic chattel paper”, “equipment”, “farm products”, “fixture”, “general intangible”, “goods”, “health-care-insurance receivable”, “instruments”, “inventory”, “investment property”, “letter-of-credit right”, “proceeds”, “record”, “securities account”, “security”, “supporting obligation” and “tangible chattel paper”.

**Article II**  
**AWARD**

Section 2.01 **Award of Monies.** The OOGEDT shall issue the Award to the Company and disburse the proceeds in accordance with the conditions subsequent to its retention and the other provisions of this Agreement.

Section 2.02 **Use of Award Proceeds.** The Company commits to use the Award to expedite commercialization that is intended to lead to an increase in high-quality jobs in the State of Texas by adding the Award to its working capital and expending the Award on the development or acquisition of capital assets to be used for the production of income, and shall use the Award only in furtherance of introducing to the market **Description of Technology** as described in the application previously submitted by the Company the OOGEDT (the “Application”). The Award shall not be used for repayment of debt, in any form, including but not limited to repayment to any members of the Company’s board of directors, its officers, its investors, its shareholders or any other affiliates of the Company, or for any restructuring of any

existing debt (other than repayment of the Note pursuant to the terms of this Agreement and the terms of the Unit, and other than accounts payable incurred in the ordinary cause of business upon customary industry terms).

Section 2.03 **Commercialization Milestones.** The Company commits to meeting the commercialization milestones attached as Exhibit C hereto and the Company shall provide the OOGEDT with sufficient evidence, to the satisfaction of the OOGEDT, that the milestones have been met by the date listed for each milestone. The Company agrees that new milestones must be submitted to and approved by the OOGEDT prior to any disbursements of Additional Amounts pursuant to Section 3.02 hereof.

Section 2.04 **Guarantee of Commercialization or Manufacturing/Principal Place of Business.** The Company agrees that a substantial percentage of any new or expanded commercialization or manufacturing of any real or intellectual product resulting from the Award shall be established in the State of Texas. New or expanded commercialization may include, but is not limited to, the occurrence of the following in the State of Texas: employment, capital investment, intellectual property development, manufacturing production, business expansion, development of supplier relationships, financing, outside sources of capital, and university collaboration. Further, the Company agrees that it will maintain its principal place of business and its principal executive offices headquartered in the State of Texas throughout the term of this Agreement.

Section 2.05 **Use and Retention of Texas Suppliers.** The Company will use reasonable efforts to use qualified Texas-based suppliers to provide products and services under this Agreement; provided, however, that the Company may in its sole discretion select suppliers and contractors based on program needs, scientific criteria, and industry standards.

Section 2.06 **Company Representations, Warranties and Covenants.** Without limiting the covenants, representations and warranties provided in other sections of this Agreement, including without limitation those provided under Article IV hereof, the Company further covenants with, and represents and warrants to the OOGEDT as of the Effective Date as follows:

A. The Company has legal authority to enter into, execute, and deliver this Agreement, the Unit and all other documents referred to herein, and it has taken all actions necessary to duly execute and deliver all such agreements, instruments and documents.

B. The Company will comply with all of the terms, conditions, provisions, covenants, requirements, and warranties in this Agreement and all other documents referred to herein.

C. The Company has made no material false statement or misstatement of fact in connection with its receipt of the Award, and all of the information it previously submitted to the OOGEDT or which it will submit to the OOGEDT in the future relating to the Award or the disbursement of any of the Award is and will be true and correct as of the date such information is submitted to the OOGEDT.

D. The Company is not in violation of any provisions of its charter or of the laws of the State of Texas, the laws of the state in which it was formed or any other federal, state or local statutes, laws, ordinances and regulations applicable to the Company and its business, and there are no actions, suits, or proceedings pending, or to its knowledge threatened, before any judicial body or governmental authority against or affecting it, other than those specifically disclosed in the Application, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Agreement, execute and issue the Unit, or perform any of its obligations hereunder or thereunder or as required by the transactions contemplated hereby.

E. Neither the execution and delivery of this Agreement, or any document referred to herein, nor compliance with any of the terms, conditions, requirements, or provisions contained in this Agreement or any documents referred to herein is prevented by, is a breach of, or will result in a breach of, any term, condition, or provision of any agreement or document to which the Company is now a party or by which it is bound.

F. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and any other jurisdiction in which it is qualified to transact business as a foreign corporation, and has provided the OOGEDT sufficient evidence of such, and certifies that it owes no delinquent taxes to any taxing entity of the State of Texas as of the Effective Date.

G. Except as set forth on Schedule 2.06(G), the Company, directly or indirectly, owns and has good title to or, in the case of leased or licensed property and assets, has valid leasehold or license interests in, all property and assets necessary for the conduct of the Company's business, in each case free and clear of all Liens and other encumbrances other than Permitted Liens.

H. Except as set forth on Schedule 2.06(H), there are no existing or contemplated transactions of a material nature involving the Company by and between the members of Company's board of directors, its officers, and/or its investors, shareholders or other affiliates of the Company, other than transactions arising from or related to employment, compensation, Company benefit plans or other transactions that are in the ordinary course of the Company's business.

I. The Award will not be used for repayment of debt, in any form, including but not limited to repayment to any member of the Company's board of directors, its officers, its investors, its shareholders or any other affiliates of the Company, or for any restructuring of any existing debt (other than repayment of the Note pursuant to the terms of this Agreement and the terms of the Unit, and other than accounts payable incurred in the ordinary course of business upon customary industry terms).

J. The Company has no subsidiaries as of the Effective Date and the Company hereby covenants and agrees that it shall not, without the prior written consent of the OOGEDT (such consent to be granted or withheld in the sole discretion of the OOGEDT),

create or acquire any subsidiary during the Security Term. If the OOGEDT shall consent to the creation or acquisition of a subsidiary (in its sole discretion), the Company shall provide the OOGEDT with a written supplement Schedule 2.06(J) to this Agreement providing in reasonable detail the following information regarding such subsidiary: (i) its name, (ii) its jurisdiction of organization and (iii) the shares of capital stock (number of shares and percentage) of such subsidiary which are beneficially owned, directly or indirectly, by the Company. The Company will promptly provide the OOGEDT with an amended Schedule 2.06(J) to reflect any change with respect to any such subsidiary that occurs during the Security Term.

K. The Company's jurisdiction of organization, legal name and organizational identification number, if any, and the location of the Company's chief executive office or sole place of business, in each case as of the Effective Date, is specified on Schedule 2.06(K), and such Schedule 2.06(K) also lists any jurisdictions of incorporation, legal names and locations of the Company's chief executive office or sole place of business for the five (5) years preceding the Effective Date. The Company hereby covenants and agrees that it will not change its jurisdiction of organization, legal name, organizational identification number (if any) or the location of the Company's chief executive office or sole place of business without first providing the OOGEDT with thirty (30) days prior written notice of the same, and then only in accordance with the other terms and conditions of this Agreement.

L. The Company shall furnish a certificate executed by the Chief Executive Officer or Chief Financial Officer of the Company on behalf of the Company certifying that the representations and warranties made by Company in this Section 2.06 (as modified by the disclosure in any schedule or exhibit hereto) shall be true and correct in all material respects as of the Effective Date.

**Section 2.07 Event(s) of Default.** The following events shall, unless waived in writing by the OOGEDT, constitute an event of default (each, an "Event of Default") under this Agreement upon the OOGEDT giving the Company thirty (30) days written notice of such event, and the Company's failure to cure such event during such thirty (30) day time period for those Events of Default that can be cured within thirty (30) days or within whatever time period is needed to cure those Events of Default that cannot be cured within thirty (30) days as long as the Company is using its best efforts to cure and is making reasonable progress in curing such Events of Default; provided, however, that in no event shall the time period to cure any Event of Default exceed three (3) months; provided, further, that notwithstanding the foregoing, any of the following events that cannot be cured shall, unless waived in writing by the OOGEDT, constitute an Event of Default under this Agreement immediately upon the OOGEDT giving the Company written notice of such event:

A. The Company's failure, for any reason, to pursue commercializing and introducing to the market **Description of Technology** as described in the Application, including but not limited to an inability to continue business operations for any reason.

B. The Company's failure to maintain its principal place of business or its principal executive offices headquartered in the State of Texas throughout the term of this Agreement.

C. The Company or any business, branch, division, or department of the Company being convicted of a violation under Section 1324a(f) of the Immigrant and Nationality Act, 8 U.S.C. § 1324a(f).

D. The Company's failure to fully comply with any provision, term, condition, covenant, or warranty contained in this Agreement, the Unit, the Application, or any other document referred to herein.

E. If any representation, covenant, or warranty made by the Company herein, or in the Application for funding, in any other document furnished by Company pursuant to this Agreement, or in order to induce the OOGEDT to disburse any of the Award, shall prove to have been untrue or incorrect in any material respect or materially misleading as of the time such representation, covenant, or warranty was made.

F. Any "Event of Default" (as defined in the Unit) under the Unit.

Section 2.08 **Remedies.** Subject to the notice and cure provisions in Section 2.07 hereof, upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the OOGEDT, the OOGEDT may enforce any or all of the following remedies (such rights and remedies being in addition to and not in lieu of any rights or remedies set forth in Section 4.10 below).

A. The OOGEDT may refrain from disbursing the Award and any amount of the Award not previously disbursed; provided, however, the OOGEDT may make such a disbursement after the occurrence of an Event of Default without thereby waiving its rights and remedies hereunder.

B. The OOGEDT, in its sole discretion, may demand that the full amount of the Award disbursed to the Company at such time of such Event of Default be repaid with interest pursuant to the terms of the Note.

C. If the Company fails to repay the full amount under the Note as specified in Section 2.08(B) hereof within thirty (30) days of demand by the OOGEDT, then such amount may, unless precluded by law, be taken from or off-set against any aids or other monies that the Company is otherwise entitled to receive from the State of Texas.

D. The OOGEDT may enforce any additional remedies it has in law or equity.

E. The rights and remedies herein specified are cumulative and not exclusive of any rights or remedies that the OOGEDT would otherwise possess.

Section 2.09 **Notification of Event of Default.** The Company shall notify the OOGEDT in writing, as soon as possible and in any event within thirty (30) days after its

executive officers have obtained knowledge of the occurrence of each Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default. The Company shall include a statement setting forth details of each Event of Default or condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default, and the action which the Company proposes to take with respect thereto.

Section 2.10 **Termination/Modification of Award.** If the Company does not meet all conditions precedent in Section 3.04 below to the satisfaction of the OOGEDT, and does not request in writing the first disbursement in Section 3.03 by the date that is three (3) months after the Effective Date, then the OOGEDT's obligation to disburse any of the Award shall terminate as of such day, and this Agreement shall become null and void.

Section 2.11 **Effect of Event of Default/Termination.** If an Event of Default occurs and the Company is required to and does repay the amount specified in Section 2.08(B) to the OOGEDT under the Note, then this Agreement shall automatically terminate as of the date full repayment of the Note is received by the OOGEDT. Further, in any event OOGEDT may terminate this Agreement at any time following an Event of Default following the opportunity to cure as provided by Section 2.07.

Section 2.12 **Right to Notice of Intellectual Property and/or Business Status.** Upon any business dissolution, sale, merger, liquidation of assets, bankruptcy of the Company or significant litigation involving the Company, the Company shall provide the OOGEDT with full business information as necessary to fully inform the OOGEDT, and provide an opportunity to participate in assisting the Company in finding other avenues for fully developing and using the intellectual property if appropriate. However, the Company shall not be obligated to provide any information that it reasonably considers in good faith to constitute a trade secret or other highly confidential information under this Section 2.12.

Section 2.13 **Right to Terminate upon Repayment.** Unless terminated earlier pursuant to Section 5.01(B), the Company may at any time following eighteen (18) months after the Effective Date, terminate this Agreement and be released from its obligations hereunder by paying the OOGEDT an amount equal to the full amount of the principal and interest due under the Note pursuant to the terms of the Unit.

Section 2.14 **Survival of Right to Purchase.** Anything herein to the contrary notwithstanding, the Unit and the Right to Purchase under the Unit shall survive any termination of this Agreement and any repayment of the Note.

### **Article III DISBURSEMENT OF AWARD PROCEEDS**

Section 3.01 **Disbursement of Award.** OOGEDT shall disburse the Award to the Company in accordance with Sections 3.02 and 3.03 below, and only after all conditions precedent have been complied with to the satisfaction of the OOGEDT in Section 3.04 below. Under no circumstance shall the OOGEDT be required to disburse funds in excess of the amount requested by the Company under the provisions contained in Section 3.02 below, and the

Company may not request less than the full amount of the Initial Amount outlined in Section 3.03 below.

**Section 3.02 Disbursement.** The Initial Amount of the Award shall be disbursed to the Company in accordance with Section 3.03 subject to the terms and conditions in this Agreement. At any time after the disbursement of the Initial Amount until the thirtieth (30<sup>th</sup>) month after the Effective Date, Company may request additional Award amounts be disbursed based on completion, or substantial completion, of the milestones as set forth in Section 2.03 above. The OOGEDT, in its sole discretion, shall decide if any additional Award amounts (each, an “Additional Amount”) will be disbursed to the Company and on what terms. After the OOGEDT’s review of Company’s performance under this Agreement, the OOGEDT may decide to disburse Additional Amounts, may terminate this Agreement, or may decide to allow the Agreement to continue under the terms and conditions herein without any disbursement of any Additional Amounts. The OOGEDT shall notify the Company in writing of its decision as soon as practicable. If the Company is approved by the OOGEDT for any Additional Amounts, the Company shall submit new milestones for the OOGEDT’s approval. Upon the OOGEDT’s approval of such new milestones, Exhibit C hereto shall be amended as necessary to reflect the new milestones and such new milestones shall become a part of this Agreement and be incorporated into Section 2.03 hereto. No Additional Amount may be disbursed until the OOGEDT has approved the new milestones and, if applicable under Section 3.04(F), the Company has issued to the OOGEDT an Additional Unit and furnished the OOGEDT with the related information and officer’s certificate required pursuant to Section 3.04(F). The Company shall have until the thirtieth (30<sup>th</sup>) month after the Effective Date to request Additional Amounts. The parties hereto agree to execute additional documents as needed to effectuate the terms of this Section 3.02.

**Section 3.03 Initial Disbursement.** The OOGEDT shall disburse to the Company the initial Award disbursement amount of Initial Disbursement Amount Dollars (\$Amount) (the “Initial Amount”) as soon as practicable following the Effective Date provided that all other requirements prior to receiving any disbursements pursuant to this Agreement have been satisfied.

**Section 3.04 Conditions Precedent to Disbursement of Award.** All of the following conditions precedent shall be met to the reasonable satisfaction of the OOGEDT prior to any disbursement of the Award:

A. Prior to the Company receiving a disbursement outlined in Sections 3.02 or 3.03 above, the OOGEDT shall have received a written request for disbursement of the Award.

B. Prior to the disbursement of the Initial Amount, the OOGEDT shall have received evidence, in form and substance acceptable to the OOGEDT, showing that the Company has issued the OOGEDT a duly executed Investment Unit in the form attached hereto as Exhibit B (the “Unit”) providing OOGEDT with (i) a promissory note pursuant to which the Company promises to repay the OOGEDT, in accordance with the terms of this Agreement and the Unit, the full amount of the Award disbursed prior to the “First Qualifying Financing Transaction” (as defined in the Unit) with interest (the “Note”) and

(ii) a right to acquire (the “Right to Purchase”) shares of the Company’s capital stock that shall as of the date of the disbursement of the Initial Amount represent xx.xxxx% of the Common Stock as determined on a fully diluted basis (for purposes of this clause (ii) only, such percentage assumes that the total number of shares of capital stock represented by the Right to Purchase under the Unit equals xxx,xxx,xxx shares of Common Stock). Notwithstanding the preceding clause (ii), the number and type of shares represented by the Right to Purchase under the Unit at any given time is determined pursuant to the terms of the Unit.

C. Prior to the disbursement of the Initial Amount, the OOGEDT shall have received an outside counsel opinion letter provided by Company’s counsel (the “Opinion Letter”). The Opinion Letter shall provide that the Company is in compliance with the following:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation.
2. The Company has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as presently conducted.
3. The Company is duly qualified to transact business in the State of Texas.
4. The Company has the corporate power to enter into this Agreement and to issue the Unit and the securities issuable upon exercise of the Right to Purchase under the Unit.
5. All issued and outstanding equity securities of the Company have been duly authorized and validly issued and are fully-paid and non-assessable.
6. The Company is not in material violation of its articles or certificate of incorporation, its bylaws or, based on knowledge of counsel, any material agreements to which the Company is a party.
7. Based on knowledge of counsel, there is no litigation against or involving the Company.
8. The Company is in compliance with state and federal securities laws and regulations with respect to the issuance of the Unit and the equity securities issuable upon exercise of the Right to Purchase under the Unit.
9. Based on knowledge of counsel, no default or violation of law by the Company has occurred or is expected to occur that would have a material adverse effect on the Company.

D. No Event of Default under this Agreement or event which would constitute an Event of Default but for the requirement that notice be given or that a period of grace or time elapse shall have occurred and be continuing.

E. The Company has supplied to the OOGEDT all other documentation that the OOGEDT may reasonably require.

F. If the “First Qualifying Financing Transaction” (as defined in the Unit) occurs prior to the disbursement of an Additional Amount, then prior to the disbursement of the Additional Amount, the Company will:

- (i) issue to the OOGEDT another duly executed Investment Unit in substantially the form attached hereto as Exhibit B (the “Additional Unit”), with such revisions to such form as are necessary, to the satisfaction of the OOGEDT, to provide the OOGEDT with (1) a promissory note pursuant to which the Company promises to repay the OOGEDT, in accordance with the terms of this Agreement and the Additional Unit, the full amount of the Additional Amount and any future Additional Amounts dispersed prior to the “First Qualifying Financing Transaction” (as defined in the Additional Unit) with interest (the “Additional Note”) and (2) a right to acquire (the “Additional Right to Purchase”) shares of the Company’s capital stock;
- (ii) furnish the OOGEDT with a statement containing the information required in Section 3.04(B)(ii) above with respect to the percentage as of the date of the disbursement of the Additional Amount of the Common Stock that the Additional Right to Purchase represents as determined on a fully diluted basis; and
- (iii) furnish the OOGEDT with a certificate executed by the Chief Executive Officer or Chief Financial Officer of the Company on behalf of the Company certifying, as of the date of the disbursement of the Additional Amount, that (1) the percentage set forth in the statement provided pursuant to Section 3.04(F)(ii) above is true and correct and (2) the representations and warranties made by the Company in Section 2.06 (as modified in any schedule or exhibit hereto) are true and correct in all material respects.

The process of this Section 3.04(F) shall be repeated for any subsequent disbursements of any Additional Amounts that occur after a “First Qualifying Financing Transaction” under any subsequently issued Additional Unit. Except as context requires otherwise in this Section 3.04, after the issuance of any Additional Unit, each reference in this Agreement to the “Unit” shall be deemed to include the Unit together with all Additional Units, each reference to the “Note” shall be deemed to include the Note together with all Additional Notes, and each reference to the “Right to Purchase” shall be deemed to include the Right to Purchase together with all Additional Rights to Purchase. Prior to any disbursement of any Additional Amount for which the issuance of an Additional Unit is required, the Company agrees to execute and deliver such further instruments and take such further actions as the OOGEDT may reasonably request in order to carry out the intent of this Section 3.04(F).

#### **Article IV**

#### **SECURITY INTEREST IN COLLATERAL**

**Section 4.01 Grant of Security Interest.** As collateral security to secure the prompt payment and performance to the OOGEDT of the Secured Obligations during the Security Term, the Company hereby assigns, pledges and grants to the OOGEDT for its benefit a continuing first and prior security interest and Lien in and to all assets of the Company now owned or hereafter acquired, including, without limitation, (A) all of the Company’s present and future

accounts, accounts receivable, contract rights, general intangibles, letter of credit rights, payment intangibles, patents, trademarks, trademark rights, copyrights, intellectual property, chattel paper, documents, instruments, raw materials, work in process, materials used or consumed in the Company's business, equipment, furniture, fixtures, vehicles and inventory, wherever located and whether in the possession of the Company or any other person, now owned or hereafter acquired by the Company; (B) all present and future increases, profits, combinations, reclassifications, improvements and products of, assessments, attachments and other additions to, tools, parts and equipment used in connection with, and substitutes and replacements for, all or part of the foregoing assets of the Company; (C) all cash and non-cash proceeds and other rights arising from or by virtue of, or from the voluntary or involuntary sale, lease or other disposition of, or collections with respect to, or insurance proceeds payable with respect to, or proceeds payable by virtue of warranty or other claims against manufacturers of, or claims against any other person with respect to, all or any part of the foregoing assets of the Company; (D) all present and future security for the payment to the Company of any of the foregoing assets of the Company; (E) all goods which gave or will give rise to any of the foregoing assets of the Company or are evidenced, identified or represented therein or thereby; and (F) all certificates of title, manufacturer's statements of origin, other documents, accounts and chattel paper arising from or related to any of the foregoing assets of the Company (collectively, the "Collateral"). The Company shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect the OOGEDT's security interest and shall cause its financial statements to reflect such security interest. During the Security Term, the Company shall promptly provide the OOGEDT with written notice of all commercial tort claims in which it is the plaintiff, such notice to contain the case title together with the applicable court and a brief description of the claim(s). Upon delivery of each such notice, the Company shall be deemed to hereby grant to the OOGEDT a security interest and Lien in and to such commercial tort claims and all proceeds thereof.

**Section 4.02 Subsidiaries.** Without limiting the generality of Section 4.01 above, to secure the Secured Obligations and the prompt payment and performance to the OOGEDT under the Note, if at any time during the Security Term the OOGEDT (in its sole discretion) consents to permit the Company to create or acquire any subsidiaries (in each case in accordance with Section 2.06(J)), the Company hereby assigns, pledges and grants to the OOGEDT for its benefit a continuing security interest in and to all the issued and outstanding equity interests of each such subsidiary and shall cause each such subsidiary to promptly execute and deliver a security agreement in form and substance reasonably satisfactory to the OOGEDT granting to the OOGEDT a security interest and Lien in all of such subsidiary's assets.

**Section 4.03 Perfection of Security Interest.** The Company shall take all actions during the Security Term that may be necessary or desirable, or that OOGEDT may reasonably request, so as to maintain the validity, perfection, enforceability and priority of the OOGEDT's first and prior security interest in the Collateral or to enable the OOGEDT to protect, exercise or enforce its rights hereunder and in the Collateral, including without limitation (A) the preparation and filing of all financing statements (including any continuation or amendment statements), (B) delivering to the OOGEDT (or its designee) any and all instruments, tangible chattel paper, certificated securities or other Collateral in which a security interest may be perfected by possession as set forth in the Texas UCC, (C) granting OOGEDT (or its designee) "control" (as defined in the Texas UCC) over any and all investment property, deposit accounts,

securities accounts, (D) filing security agreements and other notices with the United States Patent and Trademark Office and any other government agency in connection with the perfection of security interests in intellectual property Collateral and (E) using commercially reasonable efforts to obtain any and all consents or approvals from any applicable third parties. The OOGEDT (or its designee) is hereby authorized to file financing statements without signature in accordance with the Texas UCC or the Uniform Commercial Code of any other jurisdiction from time to time and by its signature hereto, the Company hereby authorizes the OOGEDT to file against the Company, one or more financing statements (including any continuation or amendment statements) pursuant to the Texas UCC or the Uniform Commercial Code of any other jurisdiction from time to time in form and substance satisfactory to the OOGEDT (which statements may have a description of collateral which is broader than that set forth herein provided that, in the event of conflict, the description of the Collateral set forth herein shall be controlling as to the property or assets in which the OOGEDT has been granted a security interest and Lien).

**Section 4.04 Disposition of Collateral.** During the Security Term, the Company hereby covenants and agrees to safeguard and protect all Collateral, to maintain all Collateral in good working order (subject to ordinary wear and tear) and make no disposition thereof except for goods or inventory sold in the ordinary course of business.

**Section 4.05 Preservation of Collateral.** Following the occurrence, and during the continuance, of an Event of Default during the Security Term and in addition to other rights and remedies available to the OOGEDT, the OOGEDT may take such steps as the OOGEDT deems necessary to protect the OOGEDT's interest in and to preserve the Collateral. The Company shall cooperate fully with all of the OOGEDT's efforts to preserve the Collateral and will take such actions to preserve the Collateral as the OOGEDT may direct.

**Section 4.06 Defense of OOGEDT's Interests.** Until the expiration of the Security Term, the OOGEDT's interests in the Collateral shall continue in full force and effect. The Company shall defend the OOGEDT's first and prior security interest and its other interests in the Collateral against any and all persons whatsoever. At any time following demand by the OOGEDT for payment in accordance with the terms of this Agreement and the Note, the OOGEDT shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained. After the occurrence of an Event of Default, the OOGEDT, at its option, may instruct all suppliers, customers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, inventory, documents or instruments in which the OOGEDT holds a security interest to deliver same to the OOGEDT.

**Section 4.07 Notification of Assignment of Receivables; Cash and Cash Equivalents.** At any time following the occurrence and during the continuance of an Event of Default during the Security Term, the OOGEDT shall have the right to send notice of the assignment of, and the OOGEDT's security interest in and Lien on, the Company's account receivables to any and all customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, the OOGEDT shall have the sole right to collect the accounts receivables, take possession of the Collateral, or both, to the extent necessary secure the obligations of the Company under the Note and all proceeds of any Collateral received by the Company in cash or cash equivalents shall be held by the Company in trust for the OOGEDT,

segregated from other funds of the Company, and shall, promptly upon receipt by the Company of such proceeds, be turned over to the OOGEDT in the exact form received (with any necessary endorsement).

**Section 4.08 Exculpation of Liability.** Nothing herein contained shall be construed to constitute OOGEDT as the Company's agent for any purpose whatsoever, nor shall the OOGEDT be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. The OOGEDT, whether by anything herein or in any assignment or otherwise, does not assume any of the Company's obligations under any contract or agreement assigned to the OOGEDT, and the OOGEDT shall not be responsible in any way for the performance by the Company of any of the terms and conditions thereof. Anything herein to the contrary notwithstanding, (A) the Company shall remain liable under the contracts and agreements included in the Collateral, to the extent set forth therein, and shall perform all of its duties and obligations under such contracts and agreements to the same extent as if this Agreement had not been executed, and (B) the exercise by the OOGEDT of any of its rights hereunder shall not release the Company from any of its duties or obligations under any such contracts or agreements included in the Collateral.

**Section 4.09 Financing Statements.** Except for the financing statements filed by the OOGEDT and the financing statements described on Schedule 4.09 hereto, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office.

**Section 4.10 Remedies with Respect to the Collateral.** If the OOGEDT shall proceed to realize its benefits under this Agreement or any other documents granting the OOGEDT a Lien upon any Collateral, either by judicial foreclosure or by non-judicial sale or enforcement, the OOGEDT may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Agreement. If, in the exercise of any of its rights and remedies, the OOGEDT shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against the Company or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, the Company hereby consents to such action by the OOGEDT and waives any claim based upon such action, even if such action by the OOGEDT shall result in a full or partial loss of any rights of subrogation that the Company might otherwise have had but for such action by the OOGEDT. In addition to any other rights or remedies hereunder or under applicable law, the Company hereby agrees that the OOGEDT and its successors and assigns shall have all of the following rights and remedies with respect to the Collateral:

A. UCC Remedies. During the continuance of an Event of Default, the OOGEDT may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to any Secured Obligation, all rights and remedies of a secured party under the Texas UCC or any other applicable law.

B. Disposition of Collateral. Without limiting the generality of the foregoing, the OOGEDT may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Company or any other Person (all and each of which demands, defenses,

advertisements and notices are hereby waived), during the continuance of any Event of Default (personally or through its agents or attorneys), (i) enter upon the premises where any Collateral is located, without any obligation to pay rent, through self-help, without judicial process, without first obtaining a final judgment or giving the Company or any other Person notice or opportunity for a hearing on the OOGEDT's claim or action, (ii) collect, receive, appropriate and realize upon any Collateral and (iii) sell, grant option or options to purchase and deliver any Collateral, in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the OOGEDT or its designee or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The OOGEDT shall have the right, upon any such public sale or sales and, to the extent permitted by the Texas UCC and other applicable requirements of law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of the Company, which right or equity is hereby waived and released.

C. Management of the Collateral. The Company further agrees, that, during the continuance of any Event of Default, (i) at the OOGEDT's request, it shall assemble the Collateral and make it available to the OOGEDT at places that the OOGEDT shall reasonably select, whether at the Company's premises or elsewhere, (ii) without limiting the foregoing, the OOGEDT also has the right to require that the Company store and keep any Collateral pending further action by the OOGEDT and, while any such Collateral is so stored or kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain such Collateral in good condition, (iii) until the OOGEDT is able to sell any Collateral, the OOGEDT shall have the right to hold or use such Collateral to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the OOGEDT and (iv) the OOGEDT may, if it so elects, seek the appointment of a receiver or keeper to take possession of any Collateral and to enforce any of the OOGEDT's remedies, with respect to such appointment without prior notice or hearing as to such appointment. The OOGEDT shall not have any obligation to the Company to maintain or preserve the rights of the Company as against third parties with respect to any Collateral while such Collateral is in the possession of the OOGEDT.

D. Application of Proceeds. The OOGEDT shall apply the cash proceeds of any action taken by it pursuant to this Section 4.10, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any Collateral or in any way relating to the Collateral or the rights of the OOGEDT hereunder, including reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations and, only after such application and after the payment by the OOGEDT of any other amount required by applicable law, the surplus, if any, to the Company.

E. Direct Obligation. The OOGEDT shall not be required to make any demand upon, or pursue or exhaust any right or remedy against, the Company or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any right or remedy with respect to any Collateral therefor or any direct or indirect guaranty thereof.

All of the rights and remedies of the OOGEDT hereunder and under the Unit shall be cumulative, may be exercised individually or concurrently and not exclusive of any other rights or remedies provided by any requirement of law. To the extent it may lawfully do so, the Company absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the OOGEDT, any valuation, stay, appraisal, extension, redemption or similar laws and any and all rights or defenses it may have as a surety, now or hereafter existing, arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of any Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition.

F. Commercially Reasonable. To the extent that applicable requirements of law impose duties on the OOGEDT to exercise remedies in a commercially reasonable manner, the Company acknowledges and agrees that it is not commercially unreasonable for the OOGEDT to do any of the following:

(i) fail to incur significant costs, expenses or other liabilities reasonably deemed as such by the OOGEDT to prepare any Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition;

(ii) fail to obtain permits, or other consents, for access to any Collateral to sell or for the collection or sale of any Collateral, or, if not required by other requirements of law, fail to obtain permits or other consents for the collection or disposition of any Collateral;

(iii) fail to exercise remedies against account debtors or other Persons obligated on any Collateral or to remove Liens on any Collateral or to remove any adverse claims against any Collateral;

(iv) advertise dispositions of any Collateral through publications or media of general circulation, whether or not such Collateral is of a specialized nature or to contact other Persons, whether or not in the same business as the Company, for expressions of interest in acquiring any such Collateral;

(v) exercise collection remedies against account debtors and other Persons obligated on any Collateral, directly or through the use of collection agencies or other collection specialists, hire one or more professional auctioneers to assist in the disposition of any Collateral, whether or not such Collateral is of a specialized nature or, to the extent deemed appropriate by the OOGEDT, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the OOGEDT in the collection or disposition of any Collateral, or utilize internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets to dispose of any Collateral;

(vi) dispose of assets in wholesale rather than retail markets;

(vii) disclaim disposition warranties, such as title, possession or quiet enjoyment; or

(viii) purchase insurance or credit enhancements to insure the OOGEDT against risks of loss, collection or disposition of any Collateral or to provide to the OOGEDT a guaranteed return from the collection or disposition of any Collateral.

The Company acknowledges that the purpose of this Section 4.10 is to provide a non-exhaustive list of actions or omissions that are commercially reasonable when exercising remedies against any Collateral and that other actions or omissions by the OOGEDT shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 4.10. Without limitation upon the foregoing, nothing contained in this Section 4.10 shall be construed to grant any rights to the Company or to impose any duties on the OOGEDT that would not have been granted or imposed by this Agreement or by applicable requirements of law in the absence of this Section 4.10.

G. IP Licenses and Real Property Licenses. For the purpose of enabling the OOGEDT to exercise rights and remedies under this Section 4.10 (including in order to take possession of, collect, receive, assemble, process, appropriate, remove, realize upon, sell or grant options to purchase any Collateral) at such time as the OOGEDT shall be lawfully entitled to exercise such rights and remedies, the Company hereby grants to the OOGEDT, (i) an irrevocable, transferable, nonexclusive, worldwide license (exercisable without payment of royalty or other compensation to the Company), including in such license the right to sublicense, use and practice any intellectual property now owned or hereafter acquired by the Company and access to all media in which any of the licensed items may be recorded or stored and to all software and programs used for the compilation or printout thereof and (ii) an irrevocable license (without payment of rent or other compensation to the Company) to use, operate and occupy all real property owned, operated, leased, subleased or otherwise occupied by the Company.

**Section 4.11 Notices.** In addition to any other notices required hereunder, the Company shall promptly notify the OOGEDT in writing of its acquisition of any interest hereafter in property that is of a type where (A) perfection can be determined or effected by control or possession (each as defined in the Texas UCC) or (B) a security interest or Lien must be or may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation.

## **Article V MISCELLANEOUS**

**Section 5.01 Term of Agreement.** Unless terminated earlier pursuant to the terms of this Agreement, except for Section 5.18 hereof and the Unit which shall survive any termination of this Agreement, this Agreement shall terminate on the earlier of (A) the date ten (10) years after the Effective Date and (B) the date on which the OOGEDT receives a return in connection with a Qualifying Liquidation Event (as defined in the Unit) pursuant to Section 1.6(b) of the Unit.

**Section 5.02 Record Keeping and Reporting.** The Company shall maintain or cause to be maintained books, records, documents and other evidence pertaining to compliance with the requirements contained in this Agreement, and upon request shall allow or cause the entity which is maintaining such items to allow the OOGEDT, or auditors for the OOGEDT, including the State Auditor for the State of Texas, to inspect, audit, copy, or abstract, all of its books, records, papers, or other documents relevant to the Award. The Company shall use or cause the entity which is maintaining such books and records to use GAAP in the maintenance of such books and records, and shall retain or cause to be retained all of such books, records, documents and other evidence for a period of seven (7) years from and after the later of (A) the date that this Agreement is terminated or this Agreement's term expires and (B) unless the Right to Purchase under the Unit expires without having been exercised, the date on which the OOGEDT fully divested all rights and ownership of all stock that was issued upon the OOGEDT's exercise of its Right to Purchase under the Unit.

**Section 5.03 Unit Records/Information.** If at any point following the execution and issuance of the Unit the OOGEDT becomes obligated to file disclosure reports with the SEC pursuant to Section 13 or Section 16 of the Securities Exchange Act of 1934, as amended, by virtue of the OOGEDT holding the Unit or securities issuable upon exercise of the Right to Purchase under the Unit, the Company agrees to provide any and all information reasonably necessary to assist the OOGEDT in making any such timely filings with the SEC.

**Section 5.04 Certification Relating to Undocumented Workers.** By execution of this Agreement, the Company, including any business, branch, division, and department of the Company, certifies that it does not currently employ any undocumented worker and that the Company will not knowingly employ an undocumented worker hereafter.

**Section 5.05 Compliance Verification Reporting.** Each year throughout the term of this Agreement, on each anniversary of the Effective Date, the Company must deliver to the OOGEDT a compliance verification report signed by a duly authorized representative of the Company that shall verify the Company's compliance with each of the Company's agreements, covenants and obligations under this Agreement (each, a "Compliance Verification"). Further, each Compliance Verification shall include providing the OOGEDT reasonable access to the Company's annual financial reports. In addition to each annual Compliance Verification, the Company shall also provide the OOGEDT a Compliance Verification on the earlier of (i) six (6) months after the Effective Date and (ii) the date on which the Company makes a request to the OOGEDT for disbursement of an Additional Amount. Each Compliance Verification that has become due must have been submitted prior to the Company receiving any Additional Amounts. All Compliance Verifications shall be in a form reasonably satisfactory to the OOGEDT and shall provide appropriate back-up data.

**Section 5.06 Liability.** In no event will either party be liable to the other party for any indirect, special, punitive, exemplary, incidental or consequential damages. This limitation will apply regardless of whether or not the other party has been advised of the possibility of such damages.

Section 5.07 **Indemnification by the Company and Hold Harmless.** The Company agrees to indemnify and hold the OOGEDT, the maker of the Award, and its agents, officers, and employees harmless for any and all losses, claims, suits, actions, and liability, including any litigation costs, that arise from any act or omission of the Company or any of its officers, and employees, agents, contractors, assignees, and affiliates relating to the project for which the Award is made regardless of whether the act or omission is related to job creation or other stated purpose of the Award.

Section 5.08 **EXPRESS NEGLIGENCE. THE INDEMNITY SET FORTH IN THIS AGREEMENT IS INTENDED TO BE ENFORCEABLE AGAINST THE COMPANY AND ITS SUCCESSORS AND ASSIGNS IN ACCORDANCE WITH THE EXPRESS TERMS AND SCOPE HEREOF NOTWITHSTANDING TEXAS' EXPRESS NEGLIGENCE RULE OR ANY SIMILAR DIRECTIVE THAT WOULD PROHIBIT OR OTHERWISE LIMIT INDEMNITIES BECAUSE OF THE NEGLIGENCE (WHETHER SOLE, CONCURRENT, ACTIVE OR PASSIVE) OR OTHER FAULT OR STRICT LIABILITY OF THE OOGEDT.**

Section 5.09 **Relationship of the Parties.** The parties will perform their respective obligations under this Agreement as independent contractors and not as agents, employees, partners, joint venturers, or representatives of the other party. Neither party can make representations or commitments that bind the other party. The Company is not a "governmental body" by virtue of this Agreement or the use of the Award under the Texas Emerging Technology Fund, any other funding, the issuance of the Unit or the issuance of capital stock upon exercise of the Right to Purchase under the Unit.

Section 5.10 **Binding Effect and Assignment.** The Company may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the OOGEDT. The OOGEDT may assign this Agreement and any of its rights or obligations hereunder without the consent of the Company. Subject to the foregoing, this Agreement and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns and all other state agencies and any other agencies, departments, divisions, governmental entities, public corporations and other entities which shall be successors to each of the parties or which shall succeed to or become obligated to perform or become bound by any of the covenants, agreements or obligations hereunder of each of the parties hereto.

Section 5.11 **Waiver.** Neither the failure by the Company or the OOGEDT, in any one or more instances to insist upon the complete and total observance or performance of any term or provision hereof, nor the failure of the Company or the OOGEDT to exercise any right, privilege, or remedy conferred hereunder or afforded by law shall be construed as waiving any breach of such term, provision, or the right to exercise such right, privilege, or remedy thereafter. In addition, no delay on the part of either the Company or the OOGEDT, in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Section 5.12 **Entire Agreement.** This Agreement, the Unit and the other documents referred to and incorporated herein by reference embody the entire agreement between the Company and the OOGEDT, and there are no other agreements, either oral or written, between the Company and the OOGEDT on the subject matter hereof. This Agreement may be amended, modified and supplemented only by written agreement between the parties hereto.

Section 5.13 **Applicable Law and Venue.** This Agreement is made and entered into in the State of Texas, and this Agreement and all disputes arising out of or relating thereto shall be governed by the laws of the State of Texas, without regard to any otherwise applicable conflict of law rules or requirements.

The Company agrees that any action, suit, litigation or other proceeding (collectively "litigation") arising out of or in any way relating to this Agreement, or the matters referred to therein, shall be commenced exclusively in the Travis County District Court or the United States District Court for the Western District of Texas, Austin Division, and hereby irrevocably and unconditionally consents to the exclusive jurisdiction of those courts for the purpose of prosecuting and/or defending such litigation. The Company hereby waives and agrees not to assert by way of motion, as a defense, or otherwise, in any suit, action or proceeding, any claim that (A) the Company is not personally subject to the jurisdiction of the above-named courts, (B) the suit, action or proceeding is brought in an inconvenient forum or (C) the venue of the suit, action or proceeding is improper.

Section 5.14 **Dispute Resolution.**

A. Informal Meetings. The parties' representatives will meet as needed to implement the terms of this Agreement and will make a good faith attempt to informally resolve any disputes.

B. Non-binding Mediation. Except to prevent irreparable harm for which there is no adequate remedy at law, neither party shall file suit to enforce this Agreement without first submitting the dispute to confidential, non-binding mediation before a mediator mutually agreed upon by the parties.

Section 5.15 **Publicity.** The parties agree to cooperate fully to coordinate with each other in connection with all press releases and publications regarding this Agreement. The Company shall not issue any press releases or other publicity regarding this Agreement or the Award without the prior written consent of OOGEDT.

Section 5.16 **No Waiver of Sovereign Immunity.** Nothing in this Agreement may be construed to be a waiver of the sovereign immunity of the OOGEDT to suit.

Section 5.17 **Severability.** If any provision of this Agreement is finally judged by any court to be invalid, then the remaining provisions shall remain in full force and effect and they shall be interpreted, performed, and enforced as if the invalid provision did not appear herein.

Section 5.18 **Survival of Promises.** Notwithstanding any expiration, termination or cancellation of this Agreement, the rights and obligations pertaining to payment or repayment of

funds confidentiality, disclaimers and limitation of liability, indemnification, and any other provision implying survivability will remain in effect after this Agreement ends.

Section 5.19 **Force Majeure.** Except for the obligation to make payments under this Agreement and the Unit when due and indemnification obligations arising hereunder, neither party shall be required to perform any obligation under this Agreement or be liable or responsible for any loss or damage resulting from its failure to perform so long as performance is delayed by force majeure or acts of God, including but not limited to strikes, lockouts or labor shortages, embargo, riot, war, revolution, terrorism, rebellion, insurrection, flood, natural disaster, or interruption of utilities from external causes.

Section 5.20 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 5.21 **Notices.** All notices, requests, demands and other communications will be in writing and will be deemed given and received (A) on the date of delivery when delivered by hand, (B) on the following business day when sent by confirmed simultaneous telecopy, (C) on the following business day when sent by receipted overnight courier or (D) three (3) business days after deposit in the United States Mail when mailed by registered or certified mail, return receipt requested, first class postage prepaid, as follows:

If to the OOGEDT to:

Financial Services  
ETF Compliance  
PO Box 12878  
Austin, TX 78711-2878  
Email: ETF.Compliance@governor.state.tx.us

*with a concurrent copy to:*

ATTN: Emerging Technology Fund Award Program  
General Counsel  
Office of the Governor  
P.O Box 12428  
Austin, Texas 78711  
Phone: 512-463-1788  
Fax: 512-463-1932

If to Company to:

Contact Person  
Position  
Company Name  
Street Address  
City, State Zip

Phone:  
Email:

provided, however, that if any party shall have designated a different address by written notice to the other party, then to the last address so designated.

Section 5.22 **Construction.** The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning. The parties acknowledge that each party and its counsel have reviewed this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Whenever used herein, the terms “include,” “includes” and “including” shall be deemed to be followed by the phrase, “without limitation.”

Section 5.23 **Headings.** The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof.

Section 5.24 **Schedules and Exhibits.** The schedules and exhibits referred to herein and required to be delivered pursuant to the terms hereof are hereby incorporated fully herein by this reference.

Section 5.25 **Saturdays, Sundays, Holidays, etc.** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

Section 5.26 **Additional Requirements.** The Company and the OOGEDT agree to comply with the following additional requirements.

(If there are no additional requirements then insert the word "NONE".)

**NONE.**

(THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK)

**IN TESTIMONY HEREOF**, the Company and the OOGEDT have executed this Texas Emerging Technology Fund Award and Security Agreement on the day and date indicated immediately below their respective signatures.

**The State of Texas**

**Company Name**

\_\_\_\_\_  
**Brian C. Newby**  
**Chief of Staff**  
**Office of the Governor**

\_\_\_\_\_  
**Contact Name**  
**Contact Title**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

**Exhibits and Schedules**

**Exhibits**

- Exhibit A – Approval Letter from Governor, Lieutenant Governor and Speaker
- Exhibit B – Investment Unit
- Exhibit C – Milestones

**Schedules**

- Schedule 2.06(G) – Title to Assets
- Schedule 2.06(H) – Related Party Transaction
- Schedule 2.06(J) – Subsidiaries
- Schedule 2.06(K) – Organizational Information
- Schedule 4.09 – Financing Statements

**Exhibit A**

**Letter from Governor, Lieutenant Governor and Speaker Approving Award to the  
Company from the Texas Emerging Technology Fund**

See attached.

**Exhibit B**  
**Investment Unit**

See attached.

**Exhibit C**  
**Milestones**

[List milestones]

**Schedule 2.06(G)**  
**Title to Property**

[To be completed by the Company]

**Schedule 2.06(H)**  
**Related Party Transactions**

[To be completed by the Company.]

**Schedule 2.06(J)**  
**Subsidiaries**

[If applicable, this schedule will be added after the Effective Date as a supplemental schedule pursuant to Section 2.06(J).]

**Schedule 2.06(K)**  
**Organizational Information**

**Schedule 4.09**  
**Financing Statements**

[To be completed by the Company.]

NEITHER THIS INVESTMENT UNIT NOR THE PROMISSORY NOTE UNDER ARTICLE I OF THIS INVESTMENT UNIT NOR THE EQUITY SECURITIES ISSUABLE UPON EXERCISE OF THE RIGHT TO PURCHASE UNDER ARTICLE II OF THIS INVESTMENT UNIT (COLLECTIVELY, THE “SECURITIES REPRESENTED HEREBY”) HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “ACT”) OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SECURITIES REPRESENTED HEREBY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, TOGETHER WITH QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAW, OR AN OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

[ \_\_\_\_\_ Inc.]  
INVESTMENT UNIT

[ \_\_\_\_\_ ], 2009

This Investment Unit (this “Unit”) has been issued by the undersigned, [ \_\_\_\_\_ Inc.], a [Texas] corporation (the “Company”), in connection with that certain Texas Emerging Technology Fund Award and Security Agreement (the “Fund Agreement”), effective as of the date hereof (the “Effective Date”),<sup>1</sup> by and between the Company and the State of Texas, acting by and through the Office of Governor Economic Development and Tourism, together with its nominees or assigns (the “OOGEDT”), pursuant to which the Company is receiving from the OOGEDT an award of funding under the Emerging Technology Fund subject to conditions which could, upon satisfaction, require repayment. This Unit is subject to all of the terms and provisions of the Fund Agreement.

This Unit consists of a promissory note (the “Note”) and a right to purchase equity securities (the “Right to Purchase”).

## ARTICLE I

### NOTE

Section 1.1 Promissory Note. This Article I consists of the Note.

Section 1.2 Promise to Pay. FOR VALUE RECEIVED, the Company hereby promises to pay to the order of the OOGEDT the principal sum equal to the full amount of all disbursements of the Award (as defined in the Fund Agreement) which are made prior to the

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<sup>1</sup> Please note that although the Unit and the Fund Agreement have the same Effective Date, the first disbursement of the Award does not usually occur until a few days after the Effective Date. Nonetheless, all issues of timing under this instrument and the Fund Agreement are intended to be based on the Effective Date. Moreover, nothing under this Unit has any value until the disbursement of the Initial Amount is actually made (the principal under the Note and the value of stock under the Right to Purchase are both tied to the amount disbursed which is zero until the disbursement of the Initial Amount occurs).

First Qualifying Financing Transaction (as hereinafter defined) from time to time under the Fund Agreement (collectively, the “Principal”) together with interest at a rate of eight percent (8%) simple interest per annum accruing daily from the date such amounts are disbursed under the Fund Agreement and calculated on the basis of a 365 or 366 day year, as the case maybe (“Interest”), as hereinafter set forth in this Article I.

Section 1.3 General Payment Terms. Principal and Interest due hereunder shall be paid in the lawful currency of the United States of America at such address as the OOGEDT may designate.

Section 1.4 Mandatory Repayment. The Principal, together with all accrued and unpaid Interest on the Principal balance shall be due and payable upon demand by the OOGEDT upon the occurrence of an Event of Default (as hereinafter defined) in accordance with the terms hereinafter set forth and the terms of the Fund Agreement.

Section 1.5 Optional Prepayment. The Company may pay, at its option, all sums of unpaid Principal and accrued but unpaid Interest at any time on or after eighteen (18) months following the Effective Date if the Company elects to terminate the Fund Agreement in accordance with Section 2.13 of the Fund Agreement.

Section 1.6 Cancellation of Note. This Note shall be canceled, the Principal and Interest evidenced hereby shall be irrevocably granted to the Company in its entirety and the Company shall be released of all covenants, liabilities and obligations under this Article I on and after the earlier of (a) the date ten (10) years after the Effective Date and (b) the date on which the OOGEDT receives a cash return in connection with a Qualifying Liquidation Event (as hereinafter defined) on the Common Stock or Next Financing Shares (each as hereinafter defined) held by the OOGEDT or purchasable under Article II of this Unit. The cancellation of this Note, if such event occurs, constitutes a contribution of capital to the Company to facilitate the public purposes described in the Fund Agreement.

Section 1.7 Qualifying Liquidation Event. “Qualifying Liquidation Event” means (a) the sale, conveyance, or other disposition of all or substantially all of the property or business of the Company and its subsidiaries (taken as a whole) or the Company’s merger into or consolidation with any other corporation in which more than fifty percent (50%) of the voting power of the Company is disposed of to persons who are not then Company Associates (as hereinafter defined) and, (b) in each such case, in which the aggregate return received by the OOGEDT upon such event with respect to the Common Stock or Next Financing Shares, as the case may be, is equal to or greater than the total amount of the Principal and Interest due under this Note as of the date the OOGEDT receives such return.

Section 1.8 Events of Default.

(a) The occurrence or existence of any one of the following events or conditions shall constitute an “Event of Default” hereunder:

(i) the breach of any covenant or other term or condition of this Unit and the continuance thereof for a period of thirty (30) days after the OOGEDT’s written notice to the Company thereof;

(ii) any of the Company's representations or warranties made in herein or in connection herewith being false or misleading in any material respect when made or as of the time as of which it was made; or

(iii) any "Event of Default" under the Fund Agreement, as such term is defined in the Fund Agreement.

(b) Upon the occurrence of any Event of Default, the OOGEDT shall have the right to (i) declare all sums of unpaid Principal and accrued but unpaid Interest and all other amounts properly payable hereon immediately due and payable and (ii) exercise any and all other rights available to it hereunder or under the Fund Agreement or at law or in equity, all of which rights and powers may be exercised cumulatively and not alternatively.

**Section 1.9 Usury.** Notwithstanding any provision to the contrary contained herein, the Fund Agreement or any other agreement entered into in connection with this Note or as security therefor or otherwise, it is expressly provided that in no case or event shall the aggregate of (a) all Interest on the unpaid balance of Principal, accrued or paid from the date hereof and (b) the aggregate of any other amounts accrued or paid pursuant hereto, which under applicable laws are or may be deemed to constitute interest upon the indebtedness evidenced hereby from the date hereof, ever exceed the Ceiling Rate (as hereinafter defined). In this connection, the Company and the OOGEDT stipulate and agree that it is their common and overriding intent to contract in strict compliance with applicable usury laws. In furtherance thereof, none of the terms hereof shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Ceiling Rate. The Company or other parties now or hereafter becoming liable for payment of the indebtedness evidenced by the Note shall never be liable for interest in excess of the Ceiling Rate. If, for any reason whatever, the interest paid or received on the Note during its full term produces a rate which exceeds the Ceiling Rate, the OOGEDT shall credit against the principal of this Note (or, if such indebtedness shall have been paid in full, shall refund to the payor of such interest) such portion of said interest as shall be necessary to cause the interest paid on this Note to produce a rate equal to the Ceiling Rate. All sums contracted for, charged or received by the OOGEDT or the holder of this Note for the use, forbearance or detention of the indebtedness evidenced hereby shall, to the extent required to avoid or minimize usury and to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term of this Note so that the interest rate does not exceed the Ceiling Rate. The provisions of this Section 1.9 shall control all agreements, whether now or hereafter existing and whether written or oral, between the Company and any holder of this Note. As used herein, the term "Ceiling Rate" means, on any day, the maximum nonusurious rate of interest permitted for that day by whichever of applicable federal or Texas laws permits the higher interest rate, stated as a rate per annum.

**Section 1.10 Cost of Collection.** If the OOGEDT retains an attorney in connection with any Event of Default or to collect, enforce or defend this Note or any papers intended to secure or guarantee it in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if the Company sues the OOGEDT in connection herewith or any such papers and does not prevail, then the Company agrees to pay to the OOGEDT, in addition to the Principal and Interest, all reasonable costs and expenses incurred by the OOGEDT in trying to collect this Note or in any such suit or proceeding, including reasonable attorneys' fees.

Section 1.11 Waivers. Except for any notices which are specifically required by another provision hereof, the Company and any and all endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after the term hereof.

Section 1.12 Federal Tax Classification. It is expressly provided the promise to pay to the order of the OOGEDT that is evidenced by this Note is not intended to be classified as indebtedness for U.S. federal income purposes unless and until an Event of Default occurs and the OOGEDT declares payable all sums of unpaid Principal. The Company and any and all endorsers, guarantors and sureties agree to report the Note consistent with this Section 1.12 for all U.S. federal income tax purposes except as otherwise required by law.

## ARTICLE II

### RIGHT TO PURCHASE

Section 2.1 Right to Purchase. This Article II consists of the Right to Purchase, which certifies that, for the value received, the OOGEDT is entitled to purchase from the Company up to the number of shares set forth in Section 2.3 below (subject to adjustment in accordance with the provisions hereof) of either (a) shares of common stock of the Company, \$[\_\_\_\_] par value per share (“Common Stock”) or (b) shares (“Next Financing Shares”) of the same class of capital stock or series of preferred stock as shall be issued in the First Qualifying Financing Transaction (as hereinafter defined).

Section 2.2 Purchase Price. The price per share (the “Purchase Price”) of Common Stock or Next Financing Shares, as the case may be, purchased hereunder shall be \$[0.01] per share.

Section 2.3 Number of Shares.

(a) The number of shares of Common Stock or Next Financing Shares, as the case may be, to be issued upon the OOGEDT’s exercise of this Right to Purchase shall be equal to the quotient obtained by dividing:

(i) The total amount of the Award<sup>2</sup> disbursed as of the date of the exercise, by

(ii) Either:

(A) if the First Qualifying Financing Transaction is closed and consummated on or before ninety (90) days after the Effective Date, then the Stock Price (as hereinafter defined) of such First Qualifying Financing Transaction; or

(B) if the First Qualifying Financing Transaction is closed and consummated after ninety (90) days following the Effective Date and on or prior to the date thirty (30) months after the Effective Date, then eight-tenths (0.80) multiplied by the Stock Price of such First Qualifying Financing Transaction; or

(C) if no First Qualifying Financing Transaction is closed and consummated on or before the date thirty (30) months after the Effective Date or the OOGEDT exercises its Right to Purchase prior to the closing and consummation of a First Qualifying Financing Transaction, then [\_\_\_\_\_].<sup>3</sup>

(b) No fractional shares shall be issued upon the exercise of this Right to Purchase. Instead of any fractional share which would otherwise be issuable upon a conversion hereunder, the Company shall pay the OOGEDT a cash amount in respect of such fractional share based upon the applicable Stock Price of the whole shares of Common Stock or Next Financing Shares, as the case may be, issuable to the OOGEDT upon such exercise.

(c) The Company shall notify the OOGEDT in writing of the terms of the First Qualifying Financing Transaction at least fifteen (15) days prior to the anticipated closing of such transaction and provide such additional information to the OOGEDT as the OOGEDT may reasonably request.

(d) “Stock Price” means, as applicable:

(i) With respect to Common Stock, (A) if Common Stock is sold in the First Qualifying Financing Transaction, the price per share at which such Common Stock is sold in the First Qualifying Financing Transaction; (B) if Common Stock is not sold in the First Qualifying Financing Transaction, the price per share of capital stock that is sold in the First Qualifying Financing Transaction as determined by dividing (1) the total amount received by the Company as consideration for the sale of such capital stock, plus the minimum aggregate amount of additional consideration payable to the Company upon the conversion or exchange of all such capital stock into Common Stock, if any, by (2) the total maximum number of shares of Common Stock issuable upon the

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<sup>2</sup> If this form is later used as an “Additional Unit” (as defined in the pre-seed Fund Agreement), the term “Award” will need to be revised to include just the amount of the “Additional Amounts” (also as defined in the pre-seed Fund Agreement) disbursed since the issuance of the Additional Unit.

<sup>3</sup> Fixed “default” price per share valuation to be inserted for each Company.

conversion or exchange of such capital stock; or (C) if there has been no First Qualifying Financing Transactions, then \$[\_\_\_\_\_] <sup>4</sup> per share; and

(ii) With respect to Next Financing Shares, the price per share of Next Financing Shares that are sold in the First Qualifying Financing Transaction.

(e) “Company Associates” means, as of any particular date, the current shareholders of the Company (including the holders of Common Stock, preferred stock, or other capital stock of the Company), current debtholders of the Company, and current holders of convertible securities or holders of any right to purchase or acquire any capital stock of the Company.

(f) “Associate Debt” means debt of the Company outstanding on the date of the First Qualifying Financing Transaction (regardless of whether such debt is evidenced by a promissory note, a convertible promissory note or any other form or instrument) that is owed to any person (or any affiliate of such person) that is purchasing capital stock from the Company in the First Qualifying Financing Transaction.

(g) “Stock Acquisition” means a Qualifying Liquidation Event in which all issued and outstanding shares of capital stock of the Company are sold to an acquiring company.

(h) “Threshold Amount” means the lesser of (i) Five Hundred Thousand Dollars (\$500,000) and (ii) the amount of the Award <sup>5</sup> disbursed on the date of the closing of the First Qualifying Financing Transaction.

(i) “First Qualifying Financing Transaction” means the earlier of (i) a Stock Acquisition and (ii) the first issuance and sale of Common Stock of the Company or other classes or series of authorized capital stock of the Company (excluding, however, (A) any securities of the Company, other than capital stock, that are convertible into or exchangeable or exercisable for capital stock of the Company, such as warrants, options, or convertible debt and (B) any capital stock issued in exchange for the retirement or partial retirement of any Associate Debt, including without limitation any capital stock issued in exchange for any future promise to retire or partially retire any Associate Debt) to occur following the Effective Date in a public offering or private placement, for an aggregate amount of cash consideration received by the Company equal to or greater than the Threshold Amount to any investors or financing source; provided, however, that, with respect to clause (ii) above, a First Qualifying Financing Transaction does not include a transaction in which more than forty percent (40%) of the aggregate cash consideration received by the Company for the issuance and sale of capital stock is received from persons who are then Company Associates; provided, further, that, with respect to clause (ii) above, the cash proceeds received as consideration by the Company in the First Qualifying Financing Transaction shall not be directly used in any single transaction or any series of related transactions to make payments on any Associate Debt (unless the Company receives cash

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<sup>4</sup> Same amount as Section 2.3(b)(iii) above to be inserted here (this will be used for calculations of fractional shares and cashless exercises in instances where an exercise occurs and there has not been a First Qualifying Financing Transaction).

<sup>5</sup> Same comment as Footnote 2.

proceeds in the First Qualifying Financing Transaction in excess of the Threshold Amount, in which case such excess amount may be used to make payments on Associate Debt).

#### Section 2.4 Purchase Procedure.

(a) The purchase rights represented by this Right to Purchase are exercisable by the OOGEDT or its permitted assignee, in whole or in part, at any time on or after the Vesting Date (as hereinafter defined) and on or before the earlier of ninety (90) days after (a) the First Qualifying Financing Transaction and (b) the date thirty (30) months after the Effective Date, by delivering to the principal office of the Company, or at such other office or agency as the Company may designate by notice in writing to the OOGEDT, a duly executed Notice of Purchase in the form attached hereto as Exhibit A and, upon payment of the per share Purchase Price multiplied by the total number of shares thereby purchased (the “Aggregate Purchase Price”) (at the sole option of the OOGEDT, to be paid by cash or by check or bank draft payable to the order of the Company, by cashless exercise as described below or by cancellation of indebtedness of the Company to the OOGEDT), whereupon the OOGEDT shall be entitled to receive a certificate for the number of shares of Common Stock or Next Financing Shares, as the case may be, so purchased. The OOGEDT, in its sole discretion, shall elect whether to purchase Common Stock or Next Financing Shares upon its exercise of the purchase rights hereunder.

(b) “Vesting Date” means the earlier of (i) the date thirty (30) months after the Effective Date; (ii) the date on which the First Qualifying Financing Transaction is closed and consummated; or (iii) the date on which any of the following events occur: (A) any capital reorganization or any reclassification of the capital stock of the Company; (B) any consolidation or merger of the Company; (C) the disposition or transfer of assets of the Company other than in the ordinary course of the Company’s business; (D) any dividend or other distribution to the holders of capital stock of the Company in the form of any asset, including without limitation securities of the Company; or (E) the dissolution, liquidation or winding up of the Company.

Section 2.5 Cashless Exercise. In lieu of paying the Purchase Price, the OOGEDT may exercise its purchase rights hereunder by cashless exercise, which shall be effected by converting the Right to Purchase (the “Conversion Right”) into shares of Common Stock or Next Financing Shares, as the case may be, as follows. Upon exercise of the Conversion Right with respect to a particular number of shares of Common Stock or Next Financing Shares, as the case may be (the “Converted Right”), the Company shall deliver to the OOGEDT (without payment by the OOGEDT of any cash, cancellation of indebtedness or delivery of any other consideration) that number of shares of Common Stock or Next Financing Shares, as the case may be, equal to the quotient obtained by dividing (a) the difference between (i) the product of the Stock Price of a share of Common Stock or Next Financing Shares, as the case may be, and the number of such shares into which the Converted Right could have been exercised hereunder and (ii) the Aggregate Purchase Price that would have been payable upon such exercise of the Converted Right, by (b) the applicable Stock Price.

Section 2.6 Issuance of Shares. The issuance of Next Financing Shares upon exercise of the purchase rights under this Right to Purchase shall be upon and subject to the same terms and conditions applicable to the First Qualifying Financing Transaction and, subject to Section 3.4 below, the OOGEDT shall be entitled to all the same rights and preferences with

respect to each share of Next Financing Shares held by the OOGEDT to which all other holders of shares of the same class and series of stock are entitled. All shares of Common Stock or Next Financing Shares, as the case may be, issued to the OOGEDT upon a purchase hereunder shall be validly issued, fully paid, non-assessable and free from all taxes, liens and charges. In case the OOGEDT shall exercise this Right to Purchase with respect to less than all of the shares that may be purchased hereunder, or if future disbursements of the Award are made under the Fund Agreement following such exercise, this Right to Purchase shall thereafter represent the right to purchase the balance of such shares and any additional shares represented by such additional Award disbursement. The issuance of certificates for shares upon exercise of this Right to Purchase shall be made without charge to the holder thereof for any issuance tax in respect thereof or other cost incurred by the Company in connection with such exercise and the related issuance of the shares. Notwithstanding anything to the contrary provided herein, the OOGEDT shall not be required to execute, join or become a party to any other agreement, including any shareholders agreement, in connection with the issuance to the OOGEDT of Next Financing Shares or Common Stock.

Section 2.7 Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, and once designated, Next Financing Shares, solely for the purpose of issuance upon the exercise of this Right to Purchase, the maximum number of shares issuable upon the exercise of this Right to Purchase. If at any time the number of authorized but unissued shares shall not be sufficient to permit exercise of this Right to Purchase, the Company will take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock and Next Financing Shares to such number of shares as shall be sufficient for such purpose.

Section 2.8 Certain Adjustments. The number of shares of Common Stock or Next Financing Shares, as the case may be, purchasable hereunder and the Purchase Price shall be subject to adjustment from time to time as hereinafter provided.

(a) In case of (i) any capital reorganization or any reclassification of the capital stock of the Company, (ii) any consolidation or merger of the Company, (iii) the disposition or transfer of assets of the Company other than in the ordinary course of the Company's business, (iv) any dividend or other distribution to the holders of capital stock of the Company in the form of additional shares of capital stock of the Company or rights, options or warrants to purchase or otherwise acquire shares of capital stock of the Company, or (v) the dissolution, liquidation or winding up of the Company, this Right to Purchase shall thereafter be exercisable for and the OOGEDT shall thereafter be entitled to purchase (and it shall be a condition to the consummation of any such transaction or event that appropriate provision shall be made so that the OOGEDT shall thereafter be entitled to purchase) the kind and amount of shares of stock and other securities and property receivable in such transaction by a holder of the number of shares of Common Stock or Next Financing Shares, as the case may be, for which this Right to Purchase entitled the OOGEDT to purchase immediately prior to such capital reorganization, reclassification of capital stock, non-surviving combination or disposition; and in any such case appropriate adjustments shall be made in the application of the provisions of this paragraph with respect to rights and interests thereafter purchasable upon the exercise of this Right to Purchase and the Purchase Price. In the case of a capital reorganization or reclassification, the number of shares that the OOGEDT is entitled to purchase hereunder shall

be proportionately increased in the case of a split or subdivision or proportionately decreased in the case of a combination and the Purchase Price shall be proportionately decreased in the case of a split or subdivision or proportionately increased in the case of a combination.

(b) In the case of any dividends declared or paid on the Common Stock or the Next Financing Shares, as the case may be, of the Company prior to the exercise of this Right to Purchase, other than dividends payable solely in additional shares of capital stock of the Company, or rights, options or warrants to purchase or otherwise acquire capital stock of the Company which are addressed in clause (iv) of Section 2.8(a) hereof, the OOGEDT shall be entitled to receive the value of any such dividends to the full extent as if the OOGEDT had exercised this Right to Purchase as of the date of declaration or payment of any such dividend. The OOGEDT, in its sole discretion, shall elect one of the two following methods for the Company to pay the value of such dividends to the OOGEDT: (i) in cash or (ii) by adjusting this Right to Purchase to represent the right to acquire, in addition to the number of shares receivable upon exercise hereof, and without payment of any additional consideration therefor, the amount of such other or additional stock or other securities or property (other than cash) of the Company that such holder would hold on the date of such exercise had it been the holder of record of the shares receivable upon exercise of this Right to Purchase on the date of the dividend and had thereafter retained such shares and/or all other additional stock available by it as aforesaid during such period, giving effect to all adjustments called for during such period by the provisions hereof.

(c) Notice of Adjustments or Dividends. Upon any event which has the effect of causing an adjustment of shares of securities purchasable upon exercise of this Right to Purchase, a certificate, signed by (i) an authorized officer of the Company or (ii) an independent firm of certified public accountants selected by the Company at its own expense, setting forth in reasonable detail the events requiring the adjustment and the method by which such adjustment was calculated, shall promptly be mailed to the OOGEDT and shall specify the adjusted Purchase Price and the number of shares of securities purchasable upon exercise of this Right to Purchase after giving effect to the adjustment.

Section 2.9 Stock Certificate Legend. Each certificate representing shares of Common Stock or Next Financing Shares issued pursuant to this Right to Purchase shall be imprinted with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), AND MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS AND UNTIL REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS SUCH OFFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION IS EXEMPT FROM REGISTRATION OR IS OTHERWISE IN COMPLIANCE WITH THE ACT AND SUCH LAWS, AS THE SAME MAY BE AMENDED FROM TIME TO TIME.

THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF AN INVESTMENT UNIT AND AN EMERGING TECHNOLOGY FUND SECURITY AND AWARD AGREEMENT, EACH DATED AS OF \_\_\_\_\_, \_\_\_\_\_, BY AND BETWEEN THE COMPANY AND THE STATE OF TEXAS, ACTING BY AND THROUGH THE OFFICE OF GOVERNOR ECONOMIC DEVELOPMENT AND TOURISM, WHICH INVESTMENT UNIT AND AGREEMENT CONTAIN, AMONG OTHER PROVISIONS, RESTRICTIONS ON THE TRANSFER, SALE, OR OTHER DISPOSITION OF THE SHARES EVIDENCED BY THIS CERTIFICATE. A COPY OF SUCH INVESTMENT UNIT AND AGREEMENT HAS BEEN FILED, AND IS AVAILABLE FOR REVIEW BY THE RECORD HOLDER OF THIS CERTIFICATE, AT THE PRINCIPAL OFFICE OF THE COMPANY.

Section 2.10 No Impairment. So long as this Right to Purchase is outstanding and unexercised, the Company will not, by amendment of its certificate or articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, 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 to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this section and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the OOGEDT hereunder against impairment.

### ARTICLE III

#### MISCELLANEOUS

Section 3.1 Representations and Covenants of the Company.

(a) The Company shall comply with the Act, all applicable state securities laws, and all other applicable laws and regulations in respect of the issuance of this Unit and the issuance of any securities issued or issuable under Article II hereof, and shall timely make all required filings and reports under such laws and regulations.

(b) The Company represents that it has the power to issue this Unit and to carry out the obligations hereunder, and the execution, delivery and performance by the Company of this Unit has been duly authorized by all necessary corporate action.

(c) The Company shall maintain or cause to be maintained books, records, documents and other evidence pertaining to compliance with the requirements contained in this Unit, and during all such time when the OOGEDT is holding this Unit or any securities issued upon the exercise of the Right to Purchase under Article II hereof, upon request shall allow or cause the entity which is maintaining such items to allow the OOGEDT, or auditors for the OOGEDT, including the State Auditor for the State of Texas, to inspect, audit, copy, or abstract, all of its books, records, papers, or other documents relevant to this Unit and the securities issued or issuable upon exercise of the Right to Purchase under Article II hereof. The Company shall use or cause the entity which is maintaining such books and records to use generally accepted

accounting principles in the maintenance of such books and records, and shall retain or cause to be retained all of such books, records, documents and other evidence for a period of seven (7) years from and after the later of (i) the date that the Fund Agreement is terminated or the Fund Agreement's term expires and (ii) unless the Right to Purchase hereunder expires without having been exercised, the date on which the OOGEDT fully divested all rights and ownership of all stock that was issued upon the OOGEDT's exercise of its Right to Purchase under Article II hereof.

Section 3.2 Representations and Covenants of the OOGEDT. The OOGEDT, by acceptance of this Right to Purchase, agrees that the right to purchase shares of Common Stock, Next Financing Shares or other securities to be issued upon exercise hereof are being acquired for the OOGEDT's own account to be held on behalf of the State of Texas pursuant to the provisions of Chapter 490 of the Texas Government Code and that the OOGEDT will not offer, sell or otherwise dispose of this Right to Purchase or any shares issuable hereunder except under circumstances which will not result in a violation of the Act or any securities laws of any state. Otherwise, the OOGEDT is permitted at any time and without limitation to offer, sell or otherwise dispose of this Right to Purchase and any shares of securities issued hereunder in a manner that is in compliance with the Act and any applicable state securities laws of, including making such offers, sales or dispositions under Rule 144 of the Act.

Section 3.3 Notices. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or mailed by registered or certified mail, postage prepaid, or by recognized overnight courier or personal delivery at the respective addresses of the parties as set forth herein or on the register maintained by Company. The Company and the OOGEDT may by notice so given change the OOGEDT's address for future notice hereunder. Notice shall conclusively be deemed to have been given when received. The current addresses for notice are as follows:

To OOGEDT: Financial Services  
ETF Compliance  
PO Box 12878  
Austin, TX 78711-2878  
Email: ETF.Compliance@governor.state.tx.us

*with a concurrent copy to:*

ATTN: Emerging Technology Fund Award Program  
General Counsel  
Office of the Governor  
P.O Box 12428  
Austin, Texas 78711  
Phone: 512-463-1788  
Fax: 512-463-1932

To Company: [ \_\_\_\_\_ ]  
[ \_\_\_\_\_ ]  
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Section 3.4 No Rights as Shareholder. Nothing in the Unit shall be construed as conferring on the OOGEDT or any other person any voting rights or other rights as a shareholder of the Company. Further, from and after any exercise of the Right to Purchase under Article II hereof, so long as the OOGEDT holds such capital stock, the OOGEDT will grant a revocable proxy (the “Proxy”) of all its voting rights to the then-current Chief Executive Officer (or, if no Chief Executive Officer is then serving, President) of the Company with respect to each matter that is presented for a vote to holders of capital stock held by the OOGEDT, substantially in the form attached hereto as Exhibit B (which form shall provide, among other things, that such Proxy shall be voted in proportionate accordance to the votes of such other holders (holding shares of the same class and series of stock as the OOGEDT) on the matter). It is the general intent of the OOGEDT to not revoke the Proxy unless the OOGEDT’s rights and interests would be adversely and disproportionately effected in connection with a matter on which the OOGEDT otherwise would have the right to vote, and any such determination regarding whether any such matter has or would have an adverse or disproportionate effect on the OOGEDT’s rights and interests will be made in the sole discretion of the OOGEDT. Notwithstanding anything to the contrary herein, in the Fund Agreement or in connection with the OOGEDT’s grant of the Proxy, upon exercise of the Right to Purchase hereunder, the OOGEDT shall become the record holder of the Common Stock or Next Financing Shares, as the case may be, and shall have all legal and beneficial ownership rights thereto at all times (except as is specifically set forth in the Proxy). In addition, notwithstanding the OOGEDT’s grant of the Proxy, the Company shall provide the OOGEDT with all notices to which holders of Common Stock or Next Financing Shares, as the case may be, are entitled, including without limitation all notices of shareholders’ meetings and all notices of any votes upon any matters submitted for a vote of the holders of Common Stock or the Next Financing Shares, as the case may be, which notices shall be delivered by the Company to the OOGEDT on or before such date as shall provide the OOGEDT with adequate time to revoke the Proxy prior to such meeting or vote if the OOGEDT so chooses.

Section 3.5 Right of First Offer. If the OOGEDT shall decide at any time that it wants to sell, transfer or assign all or any portion of its Common Stock or Next Financing Shares (as the case may be, the “Offered Shares”) to any person or entity that is not another Texas state agency, the OOGEDT shall first provide the Company with a written offer to sell the Offered Shares to the Company at a specified price per share. The Company shall then have thirty (30) days to accept or reject such offer with respect to all but not less than all of the Offered Shares. If the Company rejects the offer or fails to accept the offer within the applicable time period with respect to all of the Offered Shares, then the OOGEDT may sell all or a portion of the Offered Shares that have been offered but not accepted for purchase by the Company within one hundred eighty (180) days of such rejection or expiration of the time period for response to any person or entity; provided, that the OOGEDT does not sell any of the Offered Shares for less than one hundred percent (100%) of the per share price the OOGEDT offered to the Company. If the OOGEDT does not sell the Offered Shares within the time period and for the price indicated above, it must comply again with the provisions of this Section 3.5 before selling all or any portion of the Offered Shares.

Section 3.6 Unit Register. The Company shall maintain at its principal executive office books for the registration and the registration of transfer of the Unit. The Company may deem and treat the OOGEDT as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone) for all purposes, and neither the Company nor the OOGEDT shall be affected by any notice to the contrary.

Section 3.7 Transfers. The Company shall not close its books against the transfer of this Unit or of any shares issued or issuable upon the exercise of the Right to Purchase under Article II hereof in any manner which interferes with the timely exercise of the Right to Purchase.

Section 3.8 Assignment. The Company may not assign this Unit or any of its rights or obligations hereunder without the prior written consent of the OOGEDT. Except as otherwise required by Section 3.5 above, the OOGEDT may assign this Unit and any of its rights or obligations hereunder without the consent of the Company. Subject to the foregoing, this Unit and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns and all other state agencies and any other agencies, departments, divisions, governmental entities, public corporations and other entities which shall be successors to each of the parties or which shall succeed to or become obligated to perform or become bound by any of the covenants, agreements or obligations hereunder of each of the parties hereto.

Section 3.9 Governing Law and Venue. This Unit shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect, without regard to any otherwise applicable conflict of law rules or requirements. The Company and all endorsers, guarantors and sureties irrevocably agree that any action, claim, suit, litigation or other proceeding (collectively, "Litigation") arising out of or in any way relating to this Unit, or the matters referred to therein, shall be commenced exclusively in the Travis County District Court or the United States District Court for the Western District of Texas, Austin Division, and hereby irrevocably and unconditionally consents to the exclusive jurisdiction of those courts for the purpose of prosecuting and/or defending such Litigation. The Company and all endorsers, guarantors and sureties hereby waive and agree not to assert by way of motion, as a defense, or otherwise, in any Litigation that (a) the Company is not personally subject to the jurisdiction of the above-named courts, (b) the Litigation is brought in an inconvenient forum or (c) the venue of the Litigation is improper.

Section 3.10 Replacement. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Unit and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of the mutilated Unit, the Company will execute and deliver, in lieu thereof, a new Unit of like date and tenor.

Section 3.11 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

Section 3.12 Proceeds. This Unit, the securities issuable upon exercise of the Right to Purchase under Article II hereof, and all amounts of cash or other benefits earned or received by the OOGEDT hereunder or by sale hereof, are held for and on behalf of the State of Texas. Any and all cash received by the OOGEDT under or by sale of this Unit or the securities issuable under the Right to Purchase shall be deposited into the Emerging Technology Fund in accordance with Chapter 490 of the Texas Government Code.

Section 3.13 Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

Section 3.14 Further Assurances. The Company and the OOGEDT shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person, and otherwise fulfilling, or causing the fulfillment of, the various obligations made herein), as may be reasonably required or desirable to carry out or to perform the provisions of this Unit and to consummate and make effective as promptly as possible the transactions contemplated by this Unit.

Section 3.15 Agreement by OOGEDT. Receipt of this Unit by the OOGEDT shall constitute acceptance of and agreement to the foregoing terms and conditions.

Section 3.16 Amendment. Any term of this Unit may be amended and the observance of any term of this Unit may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the OOGEDT.

Section 3.17 Headings. The section headings in this Unit are inserted for purposes of convenience only and shall have no substantive effect.

Section 3.18 Survival. The warranties, representations and covenants contained in or made pursuant to this Unit shall survive the execution and delivery of this Unit and shall survive any breach, expiration or termination of the Fund Agreement. Notwithstanding anything herein to the contrary, this Unit, including without limitation the Right to Purchase under Article II hereof, shall survive the repayment of the Note.

Section 3.19 Exhibits. The exhibits referred to herein are hereby incorporated fully herein by this reference.

*[Remainder of page intentionally left blank.]*

IN WITNESS WHEREOF, the Company has caused this Investment Unit to be signed by its duly authorized officers in [\_\_\_\_\_], Texas as of the date and year first written above.

[THE COMPANY]

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**Notice of Purchase**

The undersigned, representing the State of Texas, acting by and through the Office of Governor Economic Development and Tourism, together with its nominees or assigns (the “OOGEDT”), pursuant to the provisions of the Investment Unit, dated [\_\_\_\_\_] (the “Unit”), issued to the OOGEDT by [COMPANY A], a [Texas] corporation (the “Company”), hereby agrees to subscribe for and purchase \_\_\_\_\_ shares of [Common Stock / Series \_\_\_\_ Preferred Stock], par value \$[\_\_\_\_] per share, of the Company covered by the Right to Purchase (as defined in the Unit), and makes such payment therefor in full at the Purchase Price (as defined in the Unit) either in cash, by cashless exercise or by other method as provided by the Unit.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**INSTRUCTIONS FOR REGISTRATION OF STOCK:**

Name \_\_\_\_\_

(please type or print in block letters)

Address \_\_\_\_\_

Address \_\_\_\_\_

**Exhibit B**

**Form of Revocable Proxy**

**CONTINUING REVOCABLE PROXY**

The State of Texas, acting by and through the Office of the Governor Economic Development and Tourism (the “undersigned”), hereby grants to the current Chief Executive Officer (or, if no Chief Executive Officer is serving, President), of [Company A], a [Texas] corporation (the “Company”), a proxy with full power of substitution to vote, or execute and deliver written consents or otherwise act with respect to, such Chief Executive Officer pro rata share of the [INSERT NUMBER] shares of Stock the undersigned owns, beneficially or of record, that were issued to the undersigned by the Company on \_\_\_\_\_, 2\_\_\_\_, as fully, to the same extent and with the same effect as the undersigned might or could do under any applicable laws or regulations governing the rights and powers of shareholders of a [Texas] corporation, and in connection therewith to execute any documents which are necessary or appropriate in order to effectuate the foregoing, on any matter requiring the vote of the holders of the Stock, or by written consent in lieu of a meeting, or otherwise, or whether such vote is to be cast in person, or by proxy, or as otherwise permitted by law. The proxy granted herein (x) shall be revocable at any time by the undersigned upon notice by the undersigned to the Company and, (y) notwithstanding Section 21.368 of the Texas Business Organizations Code, Article 2.29(C) of the Texas Business Corporation Act, or any similar or successor statute, shall remain valid and in effect from the date hereof until the date it is revoked as described in clause(x) preceding.

Date: \_\_\_\_\_, \_\_\_\_ 2\_\_\_\_\_

THE STATE OF TEXAS

\_\_\_\_\_  
By: Jay T. Kimbrough  
Title: Chief of Staff  
Office of the Governor