

This draft is dated _____, 20__, and is solely for purposes of negotiation. No contract shall exist until a final, written agreement is signed by WARF and an authorized representative of Company. This draft shall expire thirty (30) days after the above date.

EQUITY AGREEMENT

This Equity Agreement (“Agreement”) is made effective the ____ day of _____, 20__ (the “Effective Date”), by and among Wisconsin Alumni Research Foundation (hereinafter called “WARF”), a nonstock, nonprofit Wisconsin corporation, _____ (hereinafter called “Company”), a corporation organized and existing under the laws of _____, and the undersigned Founders.

WHEREAS, WARF and Company have entered into the License Agreement, with respect to certain inventions owned by WARF; and

WHEREAS, as an accommodation to Company, WARF is willing to accept, upon the terms and conditions set forth herein, Shares in lieu of charging Company certain fees under the License Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, the parties covenant and agree as follows:

Section 1. Definitions.

For the purpose of this Agreement, capitalized terms are used as defined in the body of this Agreement and in the attached Appendix A, hereby made a part of this Agreement. Any reference to this Agreement will include the body of this Agreement and all of the Appendices hereto.

Section 2. Issuance of Shares to WARF.

A. Issuance of Shares.

(i) Simultaneous with the execution of this Agreement and the License Agreement, Company shall issue to WARF _____ Shares (the “Subject Shares”), such Subject Shares representing ____ percent (___%) of the Fully-Diluted Shares Outstanding as of the date hereof, and shall deliver to WARF a stock certificate, duly signed by appropriate officers of Company and issued in WARF’s name, representing all of the Subject Shares.

(ii) All Subject Shares issued to WARF hereunder shall be fully-paid and non-assessable upon their issuance to WARF. The Subject Shares shall have at least the same rights and preferences granted other holders of Shares, including the rights and preferences specified in Company’s [**Certificate/Articles**] of Incorporation attached hereto as part of Appendix B, but in no event will the Subject Shares have any rights less than the rights specified herein. Company agrees that WARF’s Share Percentage shall be maintained at ____ percent (___%) until Company receives, in the aggregate, in a single transaction or a series of related transactions, at least \$_____ of Equity Financing (the “Equity Financing Threshold”); provided, that for purposes of this Section 2A(ii) only, a cash investment in exchange for Convertible Securities shall not constitute an Equity Financing at the time of the issuance of

such Convertible Securities but instead shall constitute an Equity Financing only at the time of the conversion or exchange (if any) of such Convertible Securities into Shares (or securities exercisable or exchangeable for, or convertible into, Shares); and provided, further, in the event Company receives Equity Financing in a certain transaction, a portion of which (the “Applicable Portion”), when added to the prior aggregate amount of Equity Financing received by Company, brings the total amount of Equity Financing received by Company up to the Equity Financing Threshold and a portion of which (the “Excess Portion”), when added to the aggregate amount of Equity Financing received by Company (inclusive of the Applicable Portion), brings the total amount of Equity Financing received by Company above the Equity Financing Threshold, the anti-dilution provisions contained in this Section 2A(ii) shall only apply to the Applicable Portion and not to the Excess Portion. Thereafter, WARF’s Share Percentage shall be subject to the most favorable anti-dilution provisions that apply to any of the other holders of Equity Securities as determined from the perspective of such holders.

B. Effect on License Agreement.

Upon WARF’s receipt of the stock certificate representing all of the Subject Shares delivered pursuant to Section 2A(i), WARF shall waive the initial license fee under the License Agreement.

Section 3. Put Option.

A. Grant of Put Option.

Company hereby agrees to repurchase all Shares held by WARF, whether issued pursuant to this Agreement or otherwise, at the option of WARF, on the terms contained in this Section 3.

B. Period for Exercise.

WARF shall have the right to exercise part or all of its put option under this Section 3 (the “Put Option”) upon or after the earliest of: (i) the [**fifth (5th)**] anniversary of the Effective Date; (ii) the forty-fifth (45th) day prior to the date of the consummation of any public offering of Company’s common stock; or (iii) any transfer by any Founder of any Shares held by such Founder, but in no event later than the first date any other put option and/or redemption right held by any other holder of Equity Securities is permitted to be exercised; or (iv) the date which the License Agreement is assigned (including pursuant to a change-of-control event) or terminated. Company shall notify WARF of any public offering of Company’s stock (as specified in clause (ii) above) at least forty-five (45) days prior to the consummation thereof and shall notify WARF of any transfer of Shares by any Founder (as specified in clause (iii) above) at least thirty (30) days prior to the consummation thereof. Company shall also notify WARF of any put option, redemption right or similar right that is granted to any Founder or other holder of Equity Securities.

C. Price Per Share.

Company shall pay WARF consideration for each Share put to it hereunder (the “Purchase Price”) in an amount equal to the Fair Market Value of the Shares being put as of the date WARF exercises its Put Option.

D. Exercise of Option.

WARF may exercise its Put Option only by its delivery of a written notice to Company that WARF is exercising its rights under this Section 3. In WARF's sole discretion, WARF may exercise its Put Option with respect to some or all of its Shares at any time in accordance with Section 3B. In the event WARF desires to exercise its Put Option pursuant to clause (ii) of Section 3B in connection with its receipt of Company's notice of a Qualified Public Offering, WARF must exercise the Put Option within twenty (20) days after its receipt of such notice.

E. Closing.

The closing of a redemption of Shares pursuant to this Section 3 shall occur at the principal office of Company on such date and at such time as WARF shall select; provided, that such closing shall occur not less than thirty (30) nor more than sixty (60) days after the date the Purchase Price is finally determined. WARF shall notify Company in writing of the exact date and time of such closing at least ten (10) days prior to the date thereof. Notwithstanding the foregoing, in the event WARF exercises its Put Option pursuant to clause (ii) of Section 3B in connection with its receipt of Company's notice of a Qualified Public Offering, the closing shall occur at least one (1) day prior to the date of the consummation of such Qualified Public Offering and WARF shall notify Company in writing of the exact date and time of such closing at least three (3) days prior to the date thereof. At such closing, (i) WARF shall deliver to Company the certificate(s) evidencing ownership of the Shares subject to the redemption properly endorsed or with properly executed stock powers, and (ii) Company shall deliver to WARF, in full, the Purchase Price by wire transfer of immediately available funds to a bank account designated in writing by WARF.

F. Inability of Company to Purchase.

If Company is unable to lawfully purchase all of the Shares which it is required or permitted to purchase pursuant to this Agreement under the applicable laws of its jurisdiction of incorporation (because such purchase would render Company statutorily insolvent under such laws), then until such time as Company is legally or contractually able to purchase the Shares pursuant to this Agreement, the purchase thereof shall be considered to be deferred. Notwithstanding the foregoing, if WARF shall so request, Company shall purchase as many Shares as it is legally or contractually able to purchase as requested by WARF on the date originally required by this Section 3 (the "Original Closing Date") and at such times as WARF may thereafter reasonably request. Any deferral of the purchase of Shares hereunder shall not change, defer or otherwise affect the date as of which the value of each Share to be purchased is to be determined as provided herein (the "Original Valuation Date") with respect to deferred purchases occurring during the one (1) year period following the Original Closing Date. Notwithstanding the foregoing, at any time after the deferral of the purchase of any Shares hereunder (the "Deferred Shares"), WARF shall have the right, effective immediately upon the provision of written notice to Company, to rescind the prior exercise of WARF's Put Option with respect to all or any of the Deferred Shares, and WARF shall thereafter have the right at any time to re-put all or any of the Deferred Shares pursuant to the terms and conditions of this Section 3 (subject, in the case of a Qualified Public Offering, to the applicable provisions of Section 3D, Section 3E and Section 6A).

Section 4. Representations and Warranties.

A. Representations and Warranties by Company.

Company represents and warrants to WARF that:

(i) Company was duly organized and is a validly existing corporation under the laws of the State of _____ with adequate power and authority to conduct the business in which it is now engaged, and Company is duly qualified to do business as a foreign corporation and is in good standing in such other states or jurisdictions as is necessary to enable it to carry on its business.

(ii) There are no actions, suits, or proceedings pending or threatened against Company, its properties, or its patents in any court or before any governmental or administrative agency, and Company is not in default under any order or judgment of any court or governmental or administrative agency; and no event has occurred or circumstances exist that may give rise to or serve as a basis for the commencement of any such action, suit or proceeding or any such default.

(iii) Company is not a party to any agreement or instrument, or subject to any charter, bylaw, or other corporate restrictions materially or adversely affecting its business and operations, present or prospective, or its property, assets, or condition, financial or otherwise.

(iv) Company is not in default in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any bond, debenture, note, or other evidence of indebtedness or any contract or other agreement of Company; and no event has occurred or circumstances exist that may give rise to or serve as a basis for any such default.

(v) This Agreement has been duly authorized, executed and delivered on behalf of Company and constitutes the valid, legal and binding agreement of Company, enforceable in accordance with its terms, and Company has full power and lawful authority to issue, sell, and repurchase the Subject Shares on the terms and conditions herein set forth.

(vi) The consummation of the transactions contemplated by this Agreement in compliance with provisions of this Agreement will not result in any breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation of any lien, charge, or encumbrance on, any property or assets of Company pursuant to any indenture, mortgage, deed of trust, agreement, corporate charter, contract, or other instrument to which Company is a party or by which Company may be bound.

(vii) Company is in compliance with all federal, state and local laws, rules and regulations, including without limitation, applicable environmental laws, and there are no conditions currently existing or contemplated which may subject Company to damages, penalties, injunctive relief, removal costs, remedial costs or cleanup costs under any such laws, rules or regulations, or assertions thereof.

(viii) Attached hereto as Appendix B and hereby made a part hereof are the [Certificate/Articles] of Incorporation (including any amendments thereto) and the Bylaws (including any amendments thereto) of Company.

(ix) Pursuant to its [Certificate/Articles] of Incorporation, Company is authorized to issue _____ Shares, _____ Shares of which are validly issued and outstanding, fully paid and nonassessable, and not subject to any other parties' preemptive rights. Except as set forth in the Capitalization Table (as defined below), there are no other authorized or outstanding Equity Securities of any class, kind, or character, and there are no outstanding subscriptions, options, warrants, or other agreements, or commitments obligating Company to issue any additional shares of its capital stock of any class, or any options or rights with respect thereto, or any securities convertible into any shares of capital stock of any class.

(x) Attached hereto as Appendix C and hereby made a part hereof is a list of all restrictions on the transfer of any Equity Securities and all agreements between any shareholders or convertible debtholders of Company or any other holders of Equity Securities regarding the valuation or transfer of any Equity Securities.

(xi) Attached hereto as Appendix D and hereby made a part hereof are the Financial Statements of Company which are provided to WARF as of the Effective Date. All Financial Statements provided or to be provided to WARF under this Agreement are true and complete and have been prepared in accordance with generally accepted accounting principles and present fairly the financial condition and results of operations of Company as of the dates thereof and for the periods covered thereby. Company has no liabilities, absolute or contingent, that are not reflected in such Financial Statements, except obligations incurred in the ordinary course of business since the date of the most recent balance sheet included in the Financial Statements or obligations which are not required to be disclosed in financial statements under generally accepted accounting principles.

(xii) Since the date of the most recent Financial Statements provided to WARF under this Agreement, there has been no: (a) material adverse change in the condition, financial or otherwise, of Company other than changes in the ordinary course of business; (b) damage or loss, whether or not covered by insurance, materially and adversely affecting Company's properties or business taken as a whole; or (c) declaration or setting aside, or payment of any dividend or other distribution in respect of the capital stock of Company or any direct or indirect redemption, purchase or other acquisition of such capital stock.

(xiii) Company has filed all tax returns and reports required to be filed by it. Company has paid all taxes, interest and penalties required to be paid pursuant to said returns or otherwise required to be paid by it.

(xiv) Attached hereto as Appendix E and hereby made a part hereof is a table setting forth the capital structure of Company (the "Capitalization Table") as of the Effective Date. The Capitalization Table is true and complete as of the date hereof and reflects all Equity Securities issued and outstanding or which Company has an obligation to issue.

(xv) All business plans and/or projections of Company provided to WARF prior to the Effective Date were prepared by Company in good faith using reasonable assumptions and were based on Company's management's best estimates.

B. Representations and Warranties by Founders.

Each Founder hereby makes the same representations and warranties to WARF as made by Company in Section 4A; provided, that all such representations and warranties made by such Founder herein are qualified by such Founder's actual knowledge.

C. Representations and Warranties by WARF.

WARF represents and warrants to Company that:

(i) WARF is acquiring the Subject Shares for investment for its own account and not with a view to resale or distribution within the meaning of the Securities Act.

(ii) This Agreement has been duly authorized, executed, and delivered on behalf of WARF and constitutes the valid and binding Agreement of WARF, enforceable in accordance with its terms, and WARF has full power and lawful authority to purchase and sell the Subject Shares on the terms and conditions herein set forth.

D. Survival and Timing of Warranties.

The warranties and representations made in this Section 4 shall survive the closing of any issuance of Shares to WARF. The warranties and representations made in this Section 4 shall be true and correct as of the Effective Date.

E. Indemnification.

Company will indemnify and hold harmless WARF and WARF's Affiliates from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable attorneys' fees) and liabilities (collectively, "Losses") to which any of WARF or WARF's Affiliates may become subject relating to or arising out of any breach or inaccuracy of any representation or warranty of Company under this Agreement or the breach of any covenant of Company under this Agreement. Each Founder will indemnify and hold harmless WARF and WARF's Affiliates from and against any and all Losses to which any of WARF or WARF's Affiliates may become subject relating to or arising out of any breach or inaccuracy of any representation or warranty of such Founder under this Agreement.

Section 5. Covenants of Company.

A. Financial Statements and Other Information.

As long as WARF owns any Equity Securities, Company shall promptly provide to WARF such Financial Statements, amendments to or restatements of its [**Certificate/Articles**] of Incorporation or Bylaws, stock transfer restrictions and agreements between shareholders with respect to the valuation or

transfer of Equity Securities and amendments thereto, and such other information respecting the business, affairs, and financial condition of Company as WARF may reasonably request, and WARF's representatives may visit and inspect any of the properties, books and information of Company. In addition, Company will provide WARF with (i) semi-annual unaudited Financial Statements and any related schedules within thirty (30) days of the end of Company's first six (6) month period in any fiscal year; (ii) a copy of Company's annual audited Financial Statements and any related schedules provided to other holders of Equity Securities of Company within ninety (90) days of Company's fiscal year end; and (iii) a semi-annual analysis by Company of its year-to-date expenditures as compared to those set forth in its then-current annual budget within thirty (30) days of the end of Company's first six (6) month period in any fiscal year. As long as WARF owns any Equity Securities, Company shall not, without providing WARF with at least thirty (30) days' prior written notice, (a) merge with another equity, consolidate, reorganize, liquidate or dissolve, (b) sell, lease, exchange or otherwise dispose of all or substantially all of the Company's property or assets, or (c) consummate any Equity Financing.

B. Preemptive Rights.

In addition to its other rights under this Agreement, as long as it holds any Equity Securities, WARF shall have a preemptive right to acquire such Equity Securities as may be issued or proposed to be issued by Company from time to time. Such preemptive right shall apply with respect to any Equity Securities issued by Company after the Effective Date, whether such additional Equity Securities constitute a part of the Equity Securities presently or subsequently authorized or constitute Equity Securities held in the treasury of Company. WARF shall have the right to acquire Equity Securities of the type being issued in an amount equal to the product of (i) WARF's Share Percentage immediately prior to such issuance, multiplied by (ii) the number of Equity Securities of the type that are to be issued to all Persons pursuant to such issuance. The terms and conditions of WARF's exercise of its preemptive rights, including the consideration to be paid for such Equity Securities, shall be no less favorable to WARF than the most favorable terms and conditions offered to any other holder of Equity Securities or prospective holder of Equity Securities with respect to the Equity Securities then being issued. WARF may, at its option, exercise such preemptive rights with respect to some or all of the Equity Securities to which it has preemptive rights under this Section 5B.

C. Issuance of Securities to Company Affiliates.

Company shall not issue any Equity Securities (including Shares) to any Founder or other Affiliate of Company without the prior approval of at least a majority of the then-current Independent Directors, or, in the absence of any Independent Directors, the prior written approval of WARF. Notwithstanding the foregoing, in no event shall Company issue any Equity Securities (including Shares) to any Affiliate of Company for less than the Fair Market Value of that security. Company shall have the burden of proving that it received consideration for any such issuance equal to the Fair Market Value of the Equity Securities issued.

D. Piggyback Registration Rights.

If at any time while WARF holds any Equity Securities Company shall determine to register any Shares by filing a registration statement on Form S-1 or Form S-3 with the Securities Exchange

Commission for a public offering and sale of Shares in compliance with the Securities Act, WARF shall be subject to the most favorable registration rights that apply to any of the other holders of Equity Securities as determined from the perspective of such holders.

E. Observation Rights for all Board Meetings.

As long as WARF owns any Equity Securities, Company's Board of Directors shall meet at least twice per calendar year. WARF shall be provided notice and shall have full observation rights for any and all meetings of the Board of Directors of Company and shall be provided with copies of any written materials at the same time as such materials are provided to Company's Board of Directors.

Section 6. Termination.

A. Unless terminated sooner by either Company or WARF as provided below, this Agreement shall terminate on the earlier of (i) the date that WARF no longer owns any Equity Securities, or (ii) the occurrence of a Qualified Public Offering. Notwithstanding the foregoing, Company shall give WARF at least forty-five (45) days' prior written notice of the consummation of any Qualified Public Offering. If this Agreement terminates automatically as provided in this Section 6A, the License Agreement shall remain in effect according to the terms specified therein.

B. If either Company or WARF at any time commits a material breach of this Agreement or any of the representations or warranties made by either Company or WARF is untrue as of any date on which they are required to be true and correct, and such party fails to remedy any such breach or default within thirty (30) days after written notice thereof by the other party (the "Affected Party"), then the Affected Party may, at its option, terminate this Agreement, the License Agreement, or both.

C. Notwithstanding the provisions of Section 6A and Section 6B, Company's and the Founders' respective indemnification obligations under Section 4E shall survive the termination, for whatever reason, of this Agreement.

Section 7. Assignability.

Company may not assign its rights or obligations under this Agreement, whether pursuant to a change of control event or otherwise, without WARF's prior written consent.

Section 8. Miscellaneous.

This Agreement shall be governed by and construed in all respects in accordance with the laws of the State of Wisconsin, notwithstanding any choice of law or conflict of law principles. The parties hereby agree that any and all matters arising hereunder will be submitted irrevocably and exclusively to the United States District Court for the Western District of Wisconsin or the State Courts of the State of Wisconsin located in Dane County, Wisconsin. If any provisions of this Agreement are or shall come into conflict with the laws or regulations of any jurisdiction or any governmental entity having jurisdiction over the parties or this Agreement, those provisions shall be deemed automatically deleted, if such deletion is allowed by relevant law, and the remaining terms and conditions of this Agreement shall remain in full force and effect. If such a deletion is not so allowed or if such a deletion leaves terms

thereby made clearly illogical or inappropriate in effect, the parties agree to substitute new terms as similar in effect to the present terms of this Agreement as may be allowed under the applicable laws and regulations. If any provisions of this Agreement are or shall come into conflict with any other agreement to which Company is a party to, the provisions of this Agreement shall control unless WARF consents in writing otherwise.

Section 9. Notices.

Any notice required to be given pursuant to the provisions of this Agreement shall be in writing and shall be deemed to have been given at the earlier of the time when actually received as a consequence of any effective method of delivery, including but not limited to hand delivery, transmission by facsimile, or delivery by a professional courier service, or the time when sent by certified or registered mail addressed to the party for whom intended at the address below or at such changed address as the party shall have specified by written notice, provided that any notice of change of address shall be effective only upon actual receipt.

(a) Wisconsin Alumni Research Foundation
Attn: Contracts Manager
614 Walnut Street
Madison, Wisconsin 53726
Facsimile: (608) 263-1064

(b) [Company]
Attn: _____

Facsimile: _____

(c) [Founder]

Facsimile: _____

(d) [Founder]

Facsimile: _____

Section 10. Integration.

This Agreement (including the Appendices hereto) constitutes the full understanding among the parties with reference to the subject matter hereof, and no statements or agreements by or among the parties, whether orally or in writing, except as provided for elsewhere in this Section 10, made prior to or at the signing hereof, shall vary or modify the written terms of this Agreement. No party shall claim any amendment, modification, or release from any provisions of this Agreement by mutual agreement, acknowledgement, or otherwise, unless such mutual agreement is in writing, signed by the other parties,

and specifically states that it is an amendment to this Agreement. The Appendices hereto are made a part of this Agreement to the same extent as if they were included in the body of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day, month and year first above written.

WISCONSIN ALUMNI RESEARCH FOUNDATION

By: _____ Date: _____,
Appropriate WARF representative, Title

[COMPANY]

By: _____ Date: _____,
Name and Title: _____

FOUNDERS:

By: _____ Date: _____,
Name and Title: _____

By: _____ Date: _____,
Name and Title: _____

APPENDIX A**Certain Definitions**

A. “Affiliate” shall mean, with respect to any individual, any Person who is related by blood or marriage to such individual, or, with respect to any entity, any Person who owns more than twenty percent (20%) of the issued and outstanding equity of such entity, or any officer, director, or employee of such entity.

B. “Convertible Securities” shall mean evidences of indebtedness, options, warrants, restricted stock, shares of capital stock or other securities that are convertible into or exchangeable for, with or without payment of additional consideration, Shares, or securities exercisable or exchangeable for, or convertible into, Shares, whether or not the right to convert, exchange or exercise is at the time exercisable.

C. “Equity Financing” shall mean a cash investment in exchange for any Equity Securities other than Excluded Securities.

D. “Equity Securities” shall mean the Shares, any other shares or equity securities of Company (including preferred shares) and any Convertible Securities.

E. “Excluded Securities” shall mean (i) any options to purchase Equity Securities issued by Company to its employees, consultants or advisors pursuant to a plan approved unanimously by Company’s Board of Directors, excluding options issued to any of the Founders or their Affiliates (which will not be Excluded Securities hereunder); (ii) any Equity Securities issued pursuant to stock dividends, stock splits, recapitalizations and similar transactions; (iii) any Equity Securities issued in connection with bona fide acquisitions, mergers or similar transactions which are primarily for purposes other than raising capital, the terms of which are approved unanimously by Company’s Board of Directors; (iv) any Equity Securities issued to financial institutions or lessors in connection with commercial credit arrangements, equipment financings, commercial property lease transactions or similar transactions approved unanimously by Company’s Board of Directors; (v) any Equity Securities issued in connection with a Qualified Public Offering; or (vi) any Equity Securities issued or issuable to an entity as a component of any bona fide business relationship with such entity for the purpose of (A) a joint venture, technology licensing or development activities, (B) the distribution, supply or manufacture of Company’s products or services, or (C) any other arrangements involving corporate partners that are primarily for purposes other than raising capital, the terms of which business relationship with such entity are approved unanimously by Company’s Board of Directors.

F. “Fair Market Value” shall mean, with respect to any Equity Security, an amount equal to the fair market value per share of such Equity Security based on the average daily closing price of one share of such Equity Security as reported on the NASDAQ or such other consolidated reporting system for the twenty (20) trading day period immediately preceding the date on which such Equity Security is being valued; provided, that if there is no active public market for such Equity Security, then “Fair Market Value” shall mean the value of one share of such Equity Security as mutually agreed upon by Company and WARF. In the event that Company and WARF cannot agree on a fair market value per

share for such Equity Security, such parties shall choose an independent valuation expert with experience valuing companies in Company's industry acceptable to both such parties to establish the fair market value per share. In the event that Company and WARF cannot agree on a valuation expert, each such party shall choose a valuation expert with experience valuing companies in Company's industry acceptable to it and such valuation experts shall together choose an independent third valuation expert with experience valuing companies in Company's industry to establish the fair market value per share. Company and WARF shall bear equally the cost of any such valuation experts. For purposes of determining Fair Market Value, Company and WARF acknowledge and agree that no discounts will apply, including any discount because the Equity Security is illiquid or represents a minority interest in Company. In the event Fair Market Value is being determined in connection with the exercise of WARF's Put Option pursuant to clause (ii) of Section 3B of this Agreement in connection with WARF's receipt of Company's notice of a Qualified Public Offering, Company and WARF shall reach a final determination, or shall instruct any applicable valuation experts that they must reach a final determination, at least five (5) days prior to the date of the consummation of such Qualified Public Offering.

G. "Financial Statements" shall mean a balance sheet, income statement, statement of stockholders' equity and statement of cash flow of Company prepared in accordance with generally accepted accounting principles, except as otherwise agreed by WARF in writing, together with all notes and statements or reports of Company's independent accountants with respect thereto.

H. "Founders" shall mean _____ and _____, the founders of Company.

I. "Fully-Diluted Shares Outstanding" shall mean, as of any given date, all issued and outstanding Shares as of such date plus the Shares that would be outstanding as of such date upon the conversion or exchange into Shares of all issued Convertible Securities. [**Note: include reserve for appropriate option pool**]

J. "Independent Director" shall mean any member of Company's Board of Directors who is not a Founder or an Affiliate of a Founder.

K. "License Agreement" shall mean the license agreement of even date herewith entered into by WARF and Company, WARF Agreement No. _____.

L. "Person" shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company or other entity.

M. "Qualified Public Offering" shall mean the consummation by Company of its first underwritten public offering of common stock under the Securities Act pursuant to which the total proceeds received by Company equal at least Thirty Million Dollars (\$30,000,000).

N. "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Securities Exchange Commission issued under such statute, as they each may, from time to time, be in effect.

O. “Shares” shall mean shares of Company’s common stock.

P. “WARF’s Share Percentage” shall mean, as of any given date, the percentage derived by dividing the aggregate number of Fully-Diluted Shares Outstanding held by WARF as of such date by the total number of Fully-Diluted Shares Outstanding as of such date.

APPENDIX B

Company [Certificate/Articles] of Incorporation and Bylaws

(Attached)

APPENDIX C

**Stock Transfer Restrictions,
Shareholder Agreements, and Convertible Debt**

APPENDIX D

Company Financial Statements

(Attached)

APPENDIX E

Capitalization Table

(Attached)