

INNOVATION WORKS, INC.
Technology Commercialization Initiative Agreement
SUMMARY OF MATERIAL TERMS

Set forth below is a summary of the material terms that are part of an Innovation Works Technology Commercialization Initiative (TCI) investment in a company.

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| Key Funding Documents | TCI Funding Agreement (“Funding Agreement”) and Convertible Promissory Note (“Note”) |
| Statement of Work | The TCI funds are disbursed to the recipient company (“Recipient”) in accordance with invoices submitted pursuant to a Statement of Work that outlines programmatic and technical milestones (“Milestones”) mutually agreed upon by the Recipient and IW. The programmatic Milestones will allow for the disbursement of the TCI funds in two equal payments, the first upon execution of the Funding Agreement/Note and the second after approximately 50-75% of the project is completed and upon achievement of technical milestones. |
| Interest | Simple interest accrues under the Note from the applicable dates of disbursement at an annual rate of 8%. |
| Maturity | If the Note has not previously been converted into equity, principal and any accrued and unpaid interest shall be payable in one balloon payment on the fifth (5 th) anniversary of the date that is the earlier to occur of (i) the final disbursement under the Note or (ii) twelve months following the Note issuance date. |
| Prepayment | The Recipient will have the right to prepay the Note prior to the Maturity Date without penalty or premium upon not less than 10 days written notice; provided, however, if an Issuance of Securities or Significant Transaction (as defined below under “Conversion Events”) occurs on or before the earlier of (i) the Maturity Date or (ii) one year following such prepayment, IW will have the right to participate in such Issuance of Securities or Significant Transaction as if the Note had not been prepaid. |
| Conversion Events | If at any time prior to the full satisfaction of the Note the Recipient issues or proposes to issue equity securities (an “Issuance of Securities”), IW has the right to convert all or any portion of the outstanding principal and accrued and unpaid interest under the Note into such equity securities. |

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| <p>Conversion Events (continued)</p> | <p>If at any time prior to the full satisfaction of the Note, (a) the Recipient proposes to merge or consolidate with or into another entity in a transaction in which the equity security holders of the Recipient do not own 50% or more of the equity securities of the surviving entity, (b) the Recipient proposes to sell or otherwise dispose of all or substantially all of its assets, or (c) the equity security holders of the Recipient propose to transfer more than 50% of the then issued and outstanding equity securities of the Recipient (each, a “Significant Transaction”), IW will have the right to either (a) convert the Note into shares of common stock of the Recipient in advance of or in conjunction with the Significant Transaction or (b) surrender the Note at the closing of such Significant Transaction in consideration for a payment in the amount of two (2) times the outstanding principal plus accrued and unpaid interest thereunder.</p> <p>Upon conversion, the number of equity securities to be issued to IW will equal (x) the outstanding principal plus accrued and unpaid interest under the Note divided by (y) the product of (i) the per unit price of the equity securities established in the Issuance of Securities or Significant Transaction multiplied by (ii) 100% less the applicable Conversion Discount Rate (see below).</p> <p>In conjunction with the conversion of the Note in the event of an Issuance of Securities led by one or more venture capital or other institutional investors, IW will have a right, assignable to an affiliate, to purchase additional equity securities issued in such Issuance of Securities at an undiscounted price per share/unit up to an aggregate minimum purchase price equal to the principal amount of the Note.</p> |
| <p>Conversion Discount Rate</p> | <p>In the event of an Issuance of Securities the Conversion Discount Rate shall equal (a) 10% if the Issuance of Securities occurs during the one-year period following the date of the Note (the “Effective Date”), (b) 20% if the Issuance of Securities occurs after the 1st anniversary of the Effective Date and up to and including the 2nd anniversary of the Effective Date, and (c) 30% if the Issuance of Securities occurs any time after the 2nd anniversary of the Effective Date.</p> <p>In the event of a Significant Transaction the Conversion Discount Rate shall equal 50%.</p> |
| <p>Shareholder Rights</p> | <p>Upon conversion, IW will have rights that are at least as favorable on economic and other terms (excluding Board representation) as the most favorable rights provided to the investors in the transaction that caused the Note to be converted. In addition, IW will receive preemptive rights (assignable to an affiliate) and will be excluded from any “pay to play” provisions.</p> |
| <p>Manufacturing/ Presence in Pennsylvania</p> | <p>For a period of five (5) years following the Recipient’s initial manufacture or production of the technology, products and/or processes, if any, that are developed or produced in full or in part with the TCI investment, the Recipient must, subject to certain exceptions, manufacture or produce a significant portion of such technology, products and/or processes in Pennsylvania. Regardless of</p> |

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| <p>Manufacturing/ Presence in Pennsylvania (continued)</p> | <p>whether the Recipient manufactures or produces any technology or product, the Recipient or any successor to the Recipient or its assets must maintain facilities and a significant percentage of its employees in Pennsylvania for a minimum of five (5) years after the disbursement of TCI funds.</p> <p>If the manufacturing requirement is violated or if the company is moved outside of Pennsylvania during the relevant period, IW will be entitled to a transfer fee equal to the amount of the TCI funds disbursed to the Recipient, which transfer fee is in addition to (i) the Recipient’s repayment obligation under the Note (if the Note has not previously been converted to equity securities) and (ii) any equity securities of the Recipient held by IW.</p> |
| <p>Matching Contributions</p> | <p>For each TCI investment, the Recipient must demonstrate the receipt of matching contributions with an aggregate value equal to at least the amount of the TCI investment. These contributions can be in the form of cash received from other non-Commonwealth sources or in uncompensated time/services/equipment contributed by personnel, consultants or other organizations.</p> |
| <p>Reporting</p> | <p>The Recipient must submit a Final Report, including a description of how the investment and any matching contributions have been applied (along with supporting documentation for all expenditures and contributions), and an analysis as to whether the Recipient has timely and successfully completed the Statement of Work. The Final Report is critical to IW’s ability to satisfy its reporting requirements to the Commonwealth.</p> <p>Until such time as the Final Report is submitted, the Recipient shall, at IW’s request, meet with one or more representatives of IW on a quarterly basis to report on the progress of the TCI-funded project.</p> |
| <p>Impact Surveys</p> | <p>Recipient must complete an annual Impact Survey for five (5) years.</p> |
| <p>Financial Statement Reporting</p> | <p>The Recipient is required to submit annual financial statements until the latter of (i) the fifth (5th) anniversary of the issuance of the Note or (ii) the satisfaction of the Note. These financial statements should include the balance sheet, income statement and statement of cash flows for the report period. The amount of the TCI investment plus any accrued and unpaid interest thereon should be reflected as a liability on the balance sheet unless and until the Note is repaid in full or fully converted to equity. If the Recipient’s annual financial statements are not audited or reviewed by an independent accountant, the Recipient may also be asked to submit copies of its federal tax return for the related period. The Recipient is also required to provide copies of its quarterly in-house financial statements upon IW’s request.</p> |