

SEPRAGEN CORPORATION SHAREHOLDER’S MEETING
INFORMATION and VOTING PACKET

August 10, 2023

Table of Contents	<u>Pages</u>
<u>Letter from Vinit Saxena, CEO and Chairman</u>	1
<u>Notice of Shareholders Meeting, Agenda and Proposed Resolutions</u>	2
1. Elect Board of Directors	
2. Approve Independent Accountant	
3. Amend Articles of Incorporation (Exhibit A)	
4. Approve Employee Equity Incentive Plan (Exhibit B)	
5. Approve Board of Directors actions (Exhibit C)	
<u>Financial Statements (unaudited) 2022</u>	3
<u>Exhibit A</u> – Shareholder Resolutions Approving Amended and Restated Articles of Incorporation	A1
Amended and Restated Articles of Incorporation	A2-A21
<u>Exhibit B</u> –Shareholder Resolutions Approving 2023 Equity Incentive Plan (aka Incentive Stock Option)	B1
2023 Equity Incentive Plan	B2-B18
<u>Exhibit C</u> –Shareholder Resolutions Approving and Ratifying the Board of Directors actions taken since the last Shareholders Meeting	C1



Dated: 8-10-23

Re: Notice to Shareholders for Annual Meeting and President's Letter

Dear Shareholder,

With the threat of Covid receding, I am writing to you to invite you to a Sepragen Shareholders meeting to be held on **September 20th at noon Pacific Standard Time at our offices at Sepragen Corporation, 33470 Western Avenue, Union City, CA 94587**. A package is attached which contains: Annual Reviewed Financial Statements for 2022, Selection of slate of directors to be elected, Amended and Restated Articles of Incorporation (adding Class C Common Stock and increasing the authorized number of shares) and a Stock option/grant incentive plan for employees, officers, directors, and consultants.

In advance of this meeting first and foremost, I acknowledge you all and thank you for your patience and loyal support over the many years that you have been Sepragen shareholders. Many of you have been long term stockholders and have weathered all the ups and downs since the IPO, the indictment of our investment bankers who were our only market maker, the subsequent delisting of our stock, and the capital crunch that followed; to the years where on threadbare resources, we gradually nursed the company back with minimal outside investment and therefore minimal dilution to you all. It has been a sincere honor and privilege for me and my wife Renu (who serves as the COO) to have served as officers of the company, to have the responsibility to continue to develop this company with your support and blessing. We also have board members to thank with whom we have met every month to review the company progress and who have generously given of their time for no additional compensation and have contributed their ideas, opinions and thoughts. George Martinez and Sandy (Malcolm) Vilas and Renu and I make up the continuing board members. Henry "Skip" Edmunds who served as acting CFO and secretary recently passed away and is fondly remembered for his selfless contribution. In his place we are nominating David Chang to the board. David is a successful entrepreneur and investor and long-time Sepragen shareholder and is passionate about Sepragen Corporation.

During the last decade, the company has made many strides in creating value for you while also keeping true to our values of making a difference in people's lives. We provided large scale innovative equipment for the manufacture of two major Covid-19 vaccines- an mRNA vaccine marketed in the US and another globally marketed vaccine which indirectly positively impacted millions of lives. Sepragen's innovative equipment helped remove a major process bottleneck that enabled the company to ramp up its production from 40M doses/mo. to 200M doses /mo. We did this in a record 14 weeks compared to our industry norm of a minimum of 1 year. We have since supplied equipment for making many other life-saving drugs and vaccines: Tdap vaccine, Factor VIII for treatment of hemophilia, lactoferrin for next generation of infant formula designed to enhance the babies' cognitive abilities, continuous processing lines for the manufacture of a low-cost bio generic antibody-based drug used for life-saving therapies. We are currently also working on supplying next generation purification equipment for Asia's potentially largest insulin facility for enabling low-cost insulin production.

All the while we have continued to innovate while securing funds from non-dilutive sources. We have been awarded grants: 1) for an innovative cell culture system for cellular therapy and 2) for developing what will be the world's first continuous mRNA manufacturing system. These grants were awarded to us by NIIMBL (National Institute for Innovation in Manufacturing of Biologics).

While the company has continued to grow profitably over the last three years, we are currently in discussions with investment bankers about our strategic options for growth including investment, merger, or potentially a sale. Our next steps will depend on macro-economic factors, the specific financial outlook for our industry segment and the opportunity set available to us over the forthcoming 12-24 months. Expect to hear more from us.

In conclusion, I would once again request your attendance at the meeting and hope see many of you and hear your thoughts.

If it is not possible for you to attend in person, you are always welcome to call and talk to me.

Thank you!

Sincerely,

A handwritten signature in black ink, appearing to read 'Vinit Saxena', with a long horizontal stroke extending to the right.

Vinit Saxena

President

SEPRAGEN CORPORATION

33470 Western Avenue
Union City, California 94587

NOTICE OF 2023 ANNUAL MEETING OF SHAREHOLDERS, AND AGENDA

The 2023 Annual Meeting of Shareholders of Sepragen Corporation (the "Company") will be held at the principal offices of the Company at 33470 Western Avenue, Union City, California 94587, on September 20, 2023 at noon, Pacific Standard Time, for the following purposes:

1. To elect a Board of Directors for the ensuing year (the Board has nominated Vinit Saxena, Renu Saxena, David Chang and Malcolm "Sandy" Vilas);
2. To consider and act upon a proposal to approve the appointment of Nicholas & Robison Accounting as the independent accountants of the Company for the fiscal year ending December 31, 2022 and 2023;
3. To consider and act upon a proposal to amend and restate the Company's Articles of Incorporation to: add a Class C Common Stock; increase the authorized number of Class A Common Stock from 20,000,000 to 40,000,000 shares; restate the Articles of Incorporation; and make other amendments to the articles (see attached form of Amended and Restated Articles of Incorporation);
4. To approve the 2023 Equity Incentive Plan in the form attached hereto and the issuance of equity securities in the Company to officers, employees, contractors and directors of the corporation pursuant to said plan (see attached form of 2023 Equity Incentive Plan);
5. To ratify and approve the Board of Directors actions taken since the last shareholders meeting.
6. To transact such other business as may properly come before the meeting or any adjournments thereof.

The stock transfer books of the Company will not be closed, but only holders of Common Stock of record at the close of business on August 8, 2023 will be entitled to vote at the meeting.

For the Board of Directors,



Vinit Saxena
*Chairman of the Board, President and
Chief Executive Officer*

SEPRAGEN CORPORATION

**REPORT ON REVIEW OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

SEPRAGEN CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022

TABLE OF CONTENTS

Independent Accountant's Report	1
Financial Statements:	
Balance Sheet	2-3
Statement of Profit and Loss	4
Statement of Stockholders' Deficit	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-21



NICHOLAS & ROBISON ACCOUNTING
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors and Stockholders
Sepragen Corporation
Union City, California

We have reviewed the accompanying financial statements of Sepragen Corporation (a California S-Corporation) (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statements of profit and loss, changes in stockholders' deficit and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

This review report is generally not to be distributed to others than governmental agencies, existing shareholders, Company management, and parties the Company has or intends to have a customary banking relationship with, absent our written permission

Pleasanton, California
March 11, 2023

Nicholas & Robison Accounting
License No. COR 6072

SEPRAGEN CORPORATION
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 574,869
Accounts Receivable, Net	2,368,653
Prepaid Expenses	2,285
Inventory	1,040,262
Right of Use Asset - Operating Leases, Current Portion	<u>249,421</u>
Total Current Assets	4,235,490

PROPERTY AND EQUIPMENT, NET 269,382

OTHER ASSETS:

Intangible Assets, Net	11,120
Investments – Restricted	498,234
Right of Use Asset - Operating Leases, Non-Current	145,495
Refundable Deposits	<u>22,000</u>
Total Other Assets	<u>676,849</u>

TOTAL ASSETS **\$ 5,181,721**

(CONTINUED)

SEPRAGEN CORPORATION
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022

LIABILITIES AND STOCKHOLDERS' DEFECIT

CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities	\$ 1,276,692
Accrued Payroll and Related Liabilities	421,080
Operating Lease Liability, Current Portion	251,665
Customer Deposits	2,223,884
Finance Lease Liability, Current Portion	4,446
Notes Payable - Related Parties, Current Portion	85,350
Notes Payable, Current Portion	28,456
Total Current Liabilities	<u>4,291,573</u>

NON-CURRENT LIABILITIES:

Operating Lease Liability, Non-Current	152,227
Finance Lease Liability, Non-Current	17,661
Notes Payable - Related Parties, Non-Current	1,363,520
Notes Payable, Non-Current	194,313
Total Non-Current Liabilities	<u>1,727,721</u>

TOTAL LIABILITIES	6,019,294
-------------------	-----------

STOCKHOLDERS' DEFECIT:

Preferred Stock, No Par Value, 5,000,000 Shares	
Authorized, 175,439 Shares Issued and Outstanding	500,000
Common Stock, No Par Value, 22,600,000 Shares	
Authorized, No Par Value, 18,826,642	
Shares Issued and Outstanding	18,577,584
Retained Deficit	<u>(19,915,157)</u>

TOTAL STOCKHOLDERS' DEFECIT	<u>(837,573)</u>
-----------------------------	------------------

TOTAL LIABILITIES AND STOCKHOLDERS' DEFECIT	<u><u>\$ 5,181,721</u></u>
---	----------------------------

SEPRAGEN CORPORATION
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022

INCOME:

Sales	\$ 8,154,945
-------	--------------

COST OF GOOD SOLD:

Inventory	1,953,978
Labor	1,508,686
Other Direct Costs	144,436
Total Cost of Goods Sold	<u>3,607,100</u>

GROSS PROFIT	4,547,845
--------------	-----------

OPERATING EXPENSES:

Salaries and Related Expenses	2,447,909
General and Administrative	589,935
Occupancy, Equipment, & Technology	375,227
Bad Debt Reserve	263,184
Depreciation and Amortization	72,504
Travel	54,412
Contract Research and Development	40,434
Taxes and Licenses	7,641
Total Operating Expenses	<u>3,851,246</u>

NET INCOME FROM OPERATIONS	696,599
----------------------------	---------

OTHER INCOME/(EXPENSES):

Interest Income	4,992
Interest Expense	<u>(69,594)</u>
Total Other Expense, Net	(64,602)

INCOME BEFORE INCOME TAX EXPENSE	631,997
----------------------------------	---------

Income Tax Expense	<u>800</u>
--------------------	------------

NET INCOME	<u><u>\$ 631,197</u></u>
------------	--------------------------

See independent accountant's review report and notes to the financial statements.

SEPRAGEN CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Preferred Stock		Common Stock		Retained Deficit	Total
	Number of Shares	Balance	Number of Shares	Balance		
Balance, December 31, 2021	175,439	\$ 500,000	18,826,642	\$ 18,577,584	\$ (20,546,354)	\$ (1,468,770)
Net Income	-	-	-	-	631,197	631,197
Balance, December 31, 2022	175,439	\$ 500,000	18,826,642	\$ 18,577,584	\$ (19,915,157)	\$ (837,573)

See independent accountant's review report and notes to the financial statements.

SEPRAGEN CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities:

Net Income	\$ 631,197
Adjustments to Reconcile Net Income to Cash Used in Operating Activities	
Depreciation and Amortization	72,504
Amortization of Right of Use Assets	249,421
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(1,537,967)
Prepaid Expenses	9,329
Inventory	(658,446)
Deferred Rent Liability	(42,955)
Accounts Payable and Accrued Liabilities	976,940
Accrued Payroll and Related Liabilities	755
Net Cash Used in Operating Activities	<u>(299,222)</u>

Cash Flows from Investing Activities:

Interest Earned but Not Received from Investment	(4,542)
Purchase of Furniture and Equipment	<u>(2,148)</u>
Net Cash Used in Investing Activities	(6,690)

Cash Flows from Financing Activities:

Operating Lease Liability	(219,989)
Finance Lease Liability	(2,951)
Customer Deposits	(888,254)
Accrued Interest on Related Party Loans Payable	120,149
Proceeds from Related Party Loans	85,000
Notes Payable Principal Payments	<u>(33,421)</u>
Net Cash Used in Financing Activities	<u>(939,466)</u>

Net Decrease in Cash and Cash Equivalents (1,245,378)

Cash and Cash Equivalents, Beginning of the Year 1,820,247

Cash and Cash Equivalents, End of the Year \$ 574,869

Supplemental Cash Flow Disclosures

Interest Paid	\$ 6,234
Income Taxes Paid	\$ 800

See independent accountant's review report and notes to the financial statements.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1: Organization and Basis of Presentation

Sepragen Corporation (the "Company") was incorporated on July 2, 1985 in the State of California. The Company develops, manufactures, and markets custom proprietary liquid chromatography columns and computer-controlled liquid chromatography process systems. These products are used by various industries for the separation and purification of a broad range of molecules.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the accrual basis of accounting following the standards of accounting and reporting established in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification. In the opinion of management, the accompanying financial statements include all necessary adjustments for a fair presentation of the financial position and the results of operations for the period presented.

Note 2: Summary of Significant Accounting Policies

Method of Accounting

The Company prepares its records on an accrual basis of accounting. Cost of goods sold include all direct labor and labor costs, materials, subcontractors, equipment costs and other costs related to contract performance, such as indirect labor, supplies, tools, and repairs. General and administrative costs are charged to the proper expense account as incurred. Interest earned and interest expense, is recorded as incurred.

Revenue Recognition

The Company recognizes revenue in accordance with accounting standard, Topic 606, which addresses revenue from contracts from customers. The following addresses the Company's revenue recognition in accordance with Topic 606:

Majority of the Company's Sales Involve Long Term Contracts to Build Custom Machinery

Revenue is recognized as a percentage of completion as the machinery is being built. The Company generally enters into contracts to produce specialized pieces of equipment for each customer. Per the sales contracts, the customer is obligated to pay the Company for the percentage of sales amount as the work progresses. Should the customer cancel the contract prior to completion and delivery of the product then the customer would be obligated to pay the company for the percentage of completion to that date.

The Company typically obtains a large deposit (up to 50% of sales price) from each customer before beginning manufacture. Further, each contract generally has a standby letter of credit from a bank ensuring payment to the company upon completion of the product.

Research and Development

Expenses related to present and future products are expensed as incurred.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, including unrestricted cash, and other highly liquid, short-term investments with maturities of 90 days or less at acquisition. The Company's cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account holder. The Company had cash equivalents of \$498,233 at December 31, 2022, which consisted of a 90 day certificate of deposit (CD).

Accounts Receivable and Allowance for Doubtful Accounts

Accounts Receivable consists of amount due both in connection with completed and shipped inventory and revenue earned and recognized based on percentage of completion exceeding the amount of customer deposits collected. The Company expects to collect all accounts receivable but has recorded a bad debt reserve in accordance with GAAP which is netted against accounts receivable. The bad debt reserve is shown on the statement of profit and loss separately from other expenses. At the balance sheet date, total accounts receivable was \$2,631,837 with an allowance for doubtful accounts of \$263,184, which is netted on the accompanying balance sheet.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets that range from five to ten years. Maintenance and repairs are charged to expense as incurred while major improvements are capitalized. Leasehold improvements are depreciated over their useful lives or lease term, whichever is shorter. Total depreciation expense for the year ended December 31, 2022, was \$71,268.

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out method, or market. Management performs periodic assessments to determine the existence of obsolete, slow moving and non-salable inventories, and records necessary provisions to reduce such inventories to net realizable value.

Intangible Assets

Intangible assets, consisting of internal and purchased patent application costs, are recorded at cost. These assets are being amortized on the straight-line basis over the estimated useful lives of the patents of approximately seventeen years. Accumulated amortization on patents is \$9,880 on December 31, 2022. Total amortization of intangible assets, for the year ended December 31, 2022, was \$1,235.

Estimated Warranty Expense

The Company tracks its costs of complying with contractual warranty obligations. Based upon historical experience, the Company has estimated and accrued an annual warranty expense of 1.5% of annual revenues.

See independent accountant's review report.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Contract Estimates and Judgments

Revenues accounted for under Topic 606 generally do not require significant estimates or judgments, other than estimating percentage of completion of each given machine, primarily for the following reasons:

- The transaction price is generally fixed and stated in the contracts;
- As noted above, the contracts generally do not include multiple performance obligations, and accordingly do not generally require estimates of the standalone selling price for each performance obligation;
- Revenues do not include material amounts of variable consideration, and have not resulted in significant obligations associated with returns, refunds, or warranties; and
- Most revenue is recognized ratably as a percentage of completion as the manufacturing process progresses in satisfaction of the applicable performance obligations of each customer contract. As noted above, Topic 606 revenue is generally recognized as a percentage of completion as the machinery is being built. Management of the Company monitors and reviews estimated percentage of completion of each machine under build contract on a regular basis.

Income Taxes

The Company accounts for income taxes under the liabilities method as required by FASB ASC 740-10-50, formerly Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." The primary objective of accounting for income taxes are to (a) recognize the amount of income taxes payable for the current year and (b) recognize the amount of a deferred tax asset or liability based on management's assessment of the tax consequences of events that have been reflected in the Company's consolidated financial statements or tax returns. Deferred tax assets or liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. As of December 31, 2022, the Company's deferred taxes were calculated and a valuation allowance was recorded against it, see Note 10.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates carrying value due to the short-term nature of such instruments. Based on borrowing rates currently available to the Company for bank loans with similar terms and maturities, the fair value of the Company's notes payable approximates the carrying value.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Leases

The Company applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability, and determining the incremental borrowing rate.

When the Company has lease contracts that include extension and termination options, it applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

The Company has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and right-of-use assets at commencement of a lease if no interest rate is implicit in the lease agreement.

Use of Estimates

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the bad debt allowance, classification of leases, percentage of completion for work in process inventory, useful lives of property and equipment, warranty liabilities, and other contingencies. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates to be reasonable under the circumstances. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Subsequent Events

Management of the Company has evaluated events and transactions that occurred after the balance sheet date through March 11, 2023, the date the financial statements were issued, and all transactions required to be disclosed, have been included in the financial statements.

Note 3: Inventories

Inventories consist of the following at December 31, 2022:

Raw Materials	\$	122,752
Work in Process		649,976
Finished Goods		267,534
Total Inventory	\$	<u>1,040,262</u>

Note 4: Property and Equipment

Property and Equipment consist of the following at December 31, 2022:

Equipment	\$	265,380
Automobiles		91,926
Leasehold Improvements		90,118
Office Furniture		25,199
Property Held Under Capital Leases, Net		25,058
Total		<u>497,681</u>
Accumulated Depreciation and Amortization		(228,299)
Property and Equipment, Net	\$	<u>269,382</u>

Note 5. Right-Of-Use Asset – Operating Lease

Following is a summary of right-of-use asset in connection with the Company's operating lease (Note 17) on December 31, 2022:

Office Leases	\$	644,336
Accumulated Amortization		(249,421)
Right-of-Use Asset, Net	\$	<u>394,915</u>

Accumulated amortization related to the operating lease is shown on the statement of profit and loss as a component of occupancy, equipment & technology expenses.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6: Investments – Restricted

The Company has a 18-month CD held with GBC International Bank (GBCIB, the Bank) in the amount of \$497,148. This CD last matured on September 30, 2021, and was automatically renewed with a maturity for March 31, 2023. Funds within this account cannot be accessed without the Bank's permission. These funds are being treated by the Bank as collateral security for a contractual letter of credit that the Bank has issued to a customer to insure satisfactory completion of an order that the customer has provided a large deposit against.

Note 7: Finance Lease Liability

The Company is the lessee of copier equipment under a capital lease agreement entered into July of 2022, with Peoples Capital and Leasing Corp., which requires monthly payments of \$507 through June 2027 (Note 17). The asset and related liability under this capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. This asset is depreciated over the lower of the related lease term or its estimated productive life. Depreciation of capital lease assets are included as a component of depreciation and amortization expense for the year ended December 31, 2022. The total depreciation expense on right-of-use assets under capital leases was \$2,088 for the year ended December 31, 2022.

The following is a summary of the property held under capital leases at the balance sheet date:

Office Equipment - Right of Use	\$ 25,058
Accumulated Depreciation	(2,088)
Property Held Under Capital Leases, Net	<u>\$ 22,970</u>

Note 8: Notes Payable

During 2019, the Company entered two notes payable with Peoples Capital to acquire machinery and equipment for its operations. The interest rates on these notes are 7.5% to 7.9% and require monthly payments of \$564 and \$395 respectively. The Combined balance of these notes, at the balance sheet date, was \$18,420 with a current portion of \$10,456.

In June 2020, the Company entered an Economic Injury Disaster Loan (EIDL) note in the amount of \$150,000 with the SBA. This loan is to be used solely as working capital to alleviate economic injury caused by all current disasters. This note carries an interest rate of 3.75% and requires monthly payments of \$731 commencing in January 2023 through June 2050. The balance at year-end of \$148,989 with a current portion of \$3,240, includes accrued interest through December 31, 2022.

In April 2021, the Company entered into a note agreement with US Bank in the amount of \$38,409 for equipment. This note, which carries an interest rate of 6.36%, requires monthly payments of principal and interest of \$749 through March 2026. At the balance sheet date, the balance on this note was \$26,320, with a current portion of \$7,528.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 8: Notes Payable (continued)

In September 2021, the Company entered into a note agreement in the amount of \$37,139 to acquire an automobile. This note, which carries an interest rate of 3.25%, requires monthly payments of principal and interest of \$672 through October 2026. The balance owed on this note at December 31, 2022 was \$29,040, with a current portion of \$7,232.

As of December 31, 2022, the current and long-term portions of these notes is as follows:

	<u>Amount</u>
Current	\$ 28,456
Long-Term	<u>194,313</u>
Total	<u>\$ 222,769</u>

Note 9: Lines of Credit

SBA Business Loan Agreement

In August 2021, the Company entered into a LOC with GBCIB. This LOC, for \$2.3 million, is collateralized by personal guarantees from two major stockholders (controlling 20% or greater of the Company). This LOC carries an interest rate of WSJ Prime plus 2%, and expires in August 2023, but is subject to annual renewals upon mutual agreement between the Company and GBCIB. The balance on this LOC at the balance sheet date was \$0.

Note 10: Income Taxes

The provision for income tax expense for the year ended December 31, 2022 consists of the following components:

Deferred income taxes reflect the effects of timing differences in reporting income for financial statement and tax reporting purposes, primarily arising from the future benefit of net operating losses and tax credit carryforwards.

The Company has recorded a deferred tax benefit on the balance sheet resulting from the net operating losses and tax credit carryforwards. A fixed tax rate was used to calculate the federal and state deferred tax benefit. A valuation allowance (recapture) reduced the entire deferred tax benefit (expense) based on the uncertainty of the realization of the loss carry forwards and the tax credits in future years.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 10: Income Taxes (continued)

Net deferred tax asset as of the balance sheet consisted of the following:

The Company has available net operating loss and research and development credit carryforwards, which will expire as follows:

	<u>Federal</u>	<u>California</u>
Net Operating Losses	\$ 2,490,532	\$ -
Disallowed Depreciation Carryforward	-	-
Expiring in Years Beginning	2023	Indefinitely
Research and Development Credits	\$ N/A	\$ 212,197
Expiring in Years Beginning	N/A	Indefinitely

Note 11: Related Party Transactions

Notes Payable

In January 2020, the Company entered into note agreements with two major stockholders in the amount of \$660,608 and \$482,279 for unpaid salaries prior to 2015. Both these notes carry an interest of 4.5% and require monthly payments beginning in January 2024 of \$4,000 through December 2043 and February 2035 respectively. As of December 31, 2022, the balances on these notes were \$783,407 and \$580,113 respectively, which includes principal and interest.

In December 2022, two stockholders loaned the Company cash in the amount of \$60,000 and \$25,000, respectively. These loans, which carry an interest rate of 4.5%, were repaid in January 2023. The balances at December 31, 2022, which includes accrued interest was \$60,323 and \$25,027.

Note 12: Series A Preferred Stock

On September 1, 1998, the Company sold 175,439 shares of Series A Preferred Stock to Anchor Products Limited of Hamilton, New Zealand ("Anchor"). The acquisition of Series A Preferred Stock by Anchor was consummated in connection with the execution of a Commercial License Agreement between the Company and Anchor, whereby the Company licensed Anchor a technology that isolates proteins from whey, a low value cheese by-product. The shares of Series A Preferred Stock were sold for cash in the aggregate amount of \$500,000 (\$2.85 per share). There were no underwriting discounts or commissions paid in connection with the transaction.

The shares of Series A Preferred Stock were sold pursuant to exemptions from registration under section 4(2) and Regulation S under the Securities Act of 1933, in a transaction that was not publicly offered. Anchor is a New Zealand corporation.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 12: Series A Preferred Stock (continued)

The Company's Series A Preferred Stock provides for both a 7.5% dividend and liquidation preferences. The dividend is payable from time to time at the election of the Board of Directors of the Company subject to the Company retaining sufficient earnings and profits. On any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Series A Preferred Shares shall receive, out of the assets of the Company, the sum of \$2.86 per Series A Preferred Share, plus an amount equal to any dividend accrued and unpaid on those series A Preferred Shares before any payment shall be made or any assets distributed to the holders of Common Stock.

In June 2022, Anchor's shares of Series A Preferred stock were converted to Class A Common Stock.

On September 15, 1999, the Company issued 35,002 shares of Series A Preferred Stock to Monterey Mechanical Co. of Oakland, California upon the conversion of \$100,000 of accounts payable into Series A Preferred Stock at \$2.86 per share. The terms and conditions of the Preferred Stock held by Monterey Mechanical are the same as those for Anchor Products. On March 17, 2000, Monterey Mechanical converted all of its 35,002 shares of Series A Preferred Stock into 35,002 shares of Class A Common Stock, see Note 13.

Note 13: Class A Common Stock

Each share of Class A Common Stock entitles the shareholder to one vote per share during board meetings and elections.

In 1995, the Company issued 2,070,000 shares of its Class A Common Stock in an initial public offering. Gross proceeds were \$8,832,231, offering costs were \$478,494 for net proceeds of \$8,353,737. Each share of Class A Common Stock has one vote per share.

In 1996, 79,155 shares of Class B Common Stock were converted to 79,155 shares of Class A Common Stock; total consideration for this transaction was \$458,964, see Note 14.

In 1997, another 6,099 shares of Class B Common Stock were converted to 6,099 shares of Class A Common Stock; the stock value was \$35,374, see Note 14.

In 1998, there were three debt to equity swaps:

First, \$374,494 of long-term Company debt were converted into 804,760 shares of Class A Common Stock at a value of \$0.47 per share.

Next, \$176,657 of notes and accrued interest owed to shareholders were converted to 368,035 shares of Class A Common Stock at a value of \$0.48 per share.

Third, \$50,000 of Company accounts payable were converted into 104,167 shares of Class A on Stock at \$0.48 per share.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 13: Class A Common Stock (continued)

In December, 1998, the Company issued 625,000 of its Class A Common Stock at \$0.48 per share, to two individual investors. Net proceeds were \$300,000. In addition to the warrants issued to a shareholder in connection with the debt financing, the Company has issued an additional warrant to purchase 112,951 shares of Class A Common Stock to other shareholders and creditors who converted outstanding debt into common stock in December, 1998. The warrants were issued on substantially the same terms as those issued to a shareholder.

In September 1999, Sepragen Corporation sold 290,666 shares of Class A Common Stock at \$0.75 per share to four investors in a private transaction exempt from securities registration under the Securities Act of 1933, as amended, and raised \$218,000.

In December 1999, the Company sold 922,667 shares of Class A Common Stock at \$0.75 per share to six investors and raised \$692,000 in gross proceeds and \$646,500 in net proceeds. The Company also converted \$129,261 of deferred salary and consulting fees into 142,013 Class A Common Stock. These transactions were exempt from securities registration under the Securities Act of 1933, as amended.

On March 17, 2000, Monterey Mechanical converted all of its 35,002 shares of Series A Preferred Stock into 35,002 shares of Class A Common Stock, see Note 12.

In March 2000, the Company sold 2,022,334 shares of Class A Common Stock at \$0.75 per share to ten investors and raised \$1,516,750 in gross proceeds and \$1,369,480 in net proceeds, pursuant to a private offering managed by Crown Point, LLC. The shares were offered on a best-efforts basis for a selling commission of 5% of gross proceeds and warrants to purchase 8% of the shares sold in the offering at an exercise price of \$0.50 per share having an expiration date of December 31, 2002. The shares of Class A Common Stock were sold pursuant to exemption from registration under section 4(2) and 4(6) under the Securities Act of 1933 and Regulation D promulgated under the Securities Act of 1933, in a transaction that was not publicly offered.

In March 2000, the Company issued 36,000 Class A Common Stock for \$27,000 accrued liability.

The following also took place during 2000:

188,633 Class A Common Stock were issued for \$138,565 notes payable and accrued interest. Another \$10,000 of related party notes payable and accrued interest were converted into 11,150 shares of Class A Common Stock.

30,000 Class A Common shares were sold for the exercise of warrants for \$15,000 at \$0.50 per share. These transactions were exempt from securities registration under the Securities Act of 1933, as amended.

The Company issued 60,000 shares of Class A Common Stock for \$45,000 for services and accrued liabilities.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 13: Class A Common Stock (continued)

In September 2001, the Company sold 2,990,000 shares of Class A Common at \$0.25 per share to seventeen investors and raised \$747,500 in gross proceeds and \$703,398 in net proceeds.

The following also took place during 2001:

The Company received a \$50,000 note receivable from a director to purchase 200,000 shares of Class A Common at \$0.25 per share. These transactions were exempt from securities registration under the Securities Act of 1933, as amended.

The Company issued warrants to shareholders to purchase 670,200 shares of the Company's Class A Common Stock. The vesting period of these warrants ranged from immediate to two years, with expiration dates ranging from three to five years. The exercise price of these warrants is \$0.25.

The Company cancelled 13,333 shares of Class A Common Stock that were previously issued for no consideration. The company redeemed the Class E Common Stock in the amount of \$12,099.

During 2002, the Company valued 337,483 shares of Class B Common Stock at \$1,918,225, held by Michael Schneider, and converted the shares to 337,483 shares of Class A Common Stock with the same value, see Note 14.

During 2006, in a private placement, the Company sold 750,000 shares of Class A Common at \$0.50 per share to six investors and raised \$375,000 in gross as well as in net proceeds.

During 2008, in a private placement, 200,000 shares of Class A Common Stock at \$0.50 per share for \$100,000 was completed with George Martinez.

During 2009, in a private placement, 125,000 shares of Class A Common Stock at \$0.40 per share for \$50,000 was completed with Dr. David Chang.

During 2010, in a private placement, 400,000 shares of Class A Common Stock at \$0.40 per share was completed with four individuals for gross proceeds of \$160,000. After issuance costs of \$7,500, net proceeds were \$152,500.

During 2011, in a private placement, 37,500 shares of Class A Common Stock at \$0.40 per share was completed with Mark Kamin for \$15,000.

During 2013, in a private placement, 1,512,500 shares of Class A Common Stock were issued at \$0.26 per share for net proceeds of \$390,000. Grants of 1,605,000 shares of Class A Common Stock were made to six key employees and a consultant at \$0.10 per share for a total of \$16,050 of Company equity.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 13: Class A Common Stock (continued)

During 2013, the following stock transactions occurred:

A stock grant of 25,000 shares at \$0.40 per share for a value of \$10,000 was made to Dr. Svek.

Dr. David Chang completed an exercise of warrants for 125,000 shares of Class A Common Stock at \$0.40 per share for \$50,000.

Renu Chabra was granted 670,000 shares of Class A Common Stock at \$0.10 per share for a net valuation of \$6,700. In summary, Class A Common Stock granted to Ms. Chabra in 2013 and 2014 totaled 900,000 shares.

For consideration of consulting activities provided to the Company, on July 30, Dr. Henry Edmunds was granted 50,000 shares of Class A Common Stock at \$0.01 per share, an equity value of \$500.

On June 3, 2020, 120,000 shares of Class A Common Stock were purchased by George Martinez at \$0.50 per share for \$60,000.

On December 15, grants of 225,000 and 869,015 shares of Class A Common Stock, a total of 1,094,015 shares valued at \$0.10 per share, were made to Vinit Saxena in consideration of his forgiveness of salary over the past 5 years. Also on December 15, grants of 225,000 and 682,833 shares of Class A Common Stock, a total of 907,833 shares valued at \$0.10 per share, were made to Renu Chabra in consideration of her forgiveness of salary over the past five years.

As of December 31, 2022, there were 17,261,196 shares of Class A Common Stock outstanding; with an equity value in the amount of \$16,480,191.

Note 14: Class B Common Stock

Each share of Class B Common Stock is convertible at any time into one share of Class A Common Stock. Each share of Class B Common Stock entitles the shareholder to five votes per share.

During 1994, in a private placement, 716,846 shares of Class B Common Stock were issued at \$4.90 per share for \$3,514,919 of net proceeds. In addition, 3,963 additional shares of Class B Common Stock were issued for \$172,796 of net proceeds. Lastly, 720,809 shares of Class B Common Stock were issued for \$3,687,715, equivalent to an average of \$5.12 per share.

During 1995, notes payable of \$794,909 were converted into 57,224 shares of Class B Common Stock at \$13.69 per share. A second tranche of notes payable of \$27,332 were converted into 6,431 shares of Class B Common Stock at \$4.25 per share.

During 1996, Class B Common Stock shares of 79,155 valued at \$458,964 were converted 1:1 into 79,155 shares of Class A Common Stock, equivalent to \$5.80 per share, see Note 13.

During 1997, Class B Common Stock shares of 6,099, valued at \$35,374 were converted 1:1 into 6,099 shares of Class A Common Stock, equivalent to \$5.80 per share, see Note 13.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 14: Class B Common Stock (continued)

During 2002, Michael Schneider converted 337,483 shares of Class B Common Stock 1:1 into 337,483 shares of Class A Common Stock at a value of \$1,918,225, equivalent to \$5.80 per share, see Note 13.

As of December 31, 2022, there were 361,727 shares of Class B Common Stock outstanding at a value of \$2,097,383, equivalent to \$5.80 per share. Of these 361,727 shares, Vinit Saxena holds 355,824 shares and Renu Chabra and Rakesh Chabra jointly hold 5,903 shares.

Note 15: Stock Options

The Company has issued non-qualified stock options to purchase shares of the Company's common stock to certain employees, consultants, and directors. The options vest over a period of one to ten years. Shares issued under the existing stock option agreements are subject to various restrictions as to resale and right of repurchase by the Company. Generally, the exercise price is not less than the fair value of the common stock at the date of grant.

In August 1994 and June 1996, the Board of Directors of the Company adopted the 1994 and 1996 Sepragen Corporation Stock Option Plans (the "Stock Option Plans"). The Stock Option Plans provide for the issuance of options covering up to 400,000 and 250,000 shares of Class A common stock (subject to adjustments in the event of stock splits, stock dividends and similar dilutive events), respectively. Options may be granted under the Stock Option Plans to employees, officers or directors of, and consultants and advisors to, the Company. Options will be granted under the Stock Option Plans within the sole discretion of the Board of Directors.

Options granted to employees may either be incentive stock options (as defined in the Internal Revenue Code of 1986, as amended) or nonqualified stock options. The purchase price of Class A common stock subject to an option shall be determined by the Board of Directors at the time of grant, provided that the purchase price of incentive stock options is not less than the fair market value of the Company's Class A common stock on the date of grant. Subject to the foregoing, the terms of each option and the increments in which it is exercisable are determined by the Board of Directors, provided that no option may be exercised before one year or after ten years from the date of grant. To the extent that the aggregate fair market value, as of the date of grant, of the shares for which incentive stock options become exercisable for the first time by an optionee during any calendar year exceeds \$100,000, the portion of such option which is in excess of the \$100,000 limitation will be treated as a non-qualified stock option.

In addition, if an optionee owns more than 10% of the total voting power of all classes of the Company's stock at the time the individual is granted an incentive stock option, the purchase price per share cannot be less than 110% of the fair market value on the date of grant and the term of the incentive stock option cannot exceed five years from the date of grant.

The Company has 218,324 options that were held by the CEO at exercise prices ranging from \$0.38 to \$5.00. These options vested based upon prior performance objectives. These options were not exercised, and furthermore, expired at the end of June 2006.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 15: Stock Options (continued)

In October 1998, the Company reduced the exercise price of Stock options from \$0.88 to \$7.62 per share to the fair market value of \$0.38 per share for specific individuals. Compensation expense relating to the reduction in exercise price was immaterial to the financial statements.

The Company's 1994 stock option plan expired at the end of August 2004 and the 1996 stock option plan expired at the end of June 2006. No options had been exercised during the duration of these stock option plans.

As of December 31, 2022, no options remained outstanding, and none had been exercised.

Note 16: Warrants

In February 28, 2014, Mark Kamin was awarded 7,950 warrants "in consideration of contracts in 2009 and 2010" and 5,250 "in consideration of his contract in 2011", for a total of 13,200 warrants. The exercise price of these warrants was set at \$0.20 per share, with a two-year exercise expiration date of February 28, 2016. At the Company Board Meeting of October 7, 2015, the expiration date of both of these warrants was extended five years to October 7, 2020. On March 29, 2019, a final extension of these warrants to March 29, 2023, was authorized by the Board of Directors.

As of December 31, 2022, warrants of 13,200 remained outstanding and unexercised.

Note 17: Commitments and Contingencies

Covid-19

The global outbreak of corona disease (COVID-19) presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation on its financial condition, liquidity, and operations. Given the evolution of the COVID-19 outbreak and the global responses to curb the spread the Company is not able to estimate the effects, if any, of the COVID-19 outbreak on the results of its operations and financial condition.

Concentrations of Credit Risk

The Company performs ongoing credit evaluations of its customers. The Company maintains reserves for potential credit losses on customer accounts when probable and such losses have been within management's expectations. For the year ended December 31, 2022, three customers individually accounted for 84%, 5% and 5% of accounts receivable.

The Company maintains cash and cash equivalent balances at various financial institutions. Cash accounts at each bank are insured by the FDIC for up to \$250,000. At December 31, 2022, the Company had one bank account and one certificate of deposit (investment due to life) that exceeded these insured limits.

SEPRAGEN CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 17: Commitments and Contingencies (continued)

Leases

The Company currently leases its office and production facility under an operating lease located in Union City, California. This lease agreement requires monthly payments of \$21,070 with annual increases through July 2024. The refundable deposits of \$22,000 on the accompanying balance sheet, relates to this lease agreement. In connection with this lease, a right-of-use operating asset (Note 5) and related operating lease liabilities have been recorded.

The Company leases office equipment under a noncancelable finance lease agreement, with an unrelated party (Note 7). This equipment lease agreement requires monthly payments of \$507 through June 2027.

Minimum future lease payments under these lease agreements for the years ended December 31, is as follows:

Year Ended	Operating Lease	Finance Lease	Total Amount
2023	\$ 257,259	\$ 6,080	\$ 263,339
2024	153,213	6,080	159,293
2025	-	6,080	6,080
2026	-	6,080	6,080
2027	-	1,975	1,975
Thereafter	-	-	-
Total Minimum Lease Payments	<u>\$ 410,472</u>	26,295	436,767
		4,188	4,188
Less: Amount Representing Interest		4,188	4,188
Present Value of Net Minimum Lease Payments		<u>\$ 22,107</u>	<u>\$ 432,579</u>

Interest rate on this capital lease is 8.13% and is imputed based on the lessor's implicit rate of return. Interest rate on the operating lease agreement is imputed using the Company's policy of the risk-free rate.

EXHIBIT A

SEPRAGEN CORPORATION

2023 SHAREHOLDER RESOLUTIONS APPROVING AMENDED AND RESTATED ARTICLES OF INCORPORATION

RESOLVED, that it is in the best interests of the Sepragen Corporation (the “Company”) and its shareholders to amend its articles of incorporation to add a new class of common stock (Class C) and to increase the authorized number of shares, and to make other amendments to the articles.

FURTHER RESOLVED, the shareholders of the Company hereby amend and restate the articles of corporation in the form attached hereto as Exhibit A (the “AR Articles”).

FURTHER RESOLVED, that the officers of the Company are authorized and directed to modify the AR Articles to the extent required to obtain California Secretary of State approval and filing of the AR Articles with the Secretary of State.

Amended and Restated Articles of Incorporation
of

Sepragen Corporation
a California Corporation

Vinit Saxena and George Martinez, certify that:

1. They are the president and secretary, respectively, of Sepragen Corporation, a California corporation.
2. The following restated articles of corporation restate the entire text of the articles of incorporation of this corporation as amended to date:

I

The name of the corporation is Sepragen Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

A. This corporation is authorized to issue five classes of shares of stock, to be designated Class A Common Stock, Class B Common Stock, Class C Common Stock, Class E Common Stock and Preferred Stock, respectively. This corporation is authorized to issue 40,000,000 shares of Class A Common Stock, 2,600,000 shares of Class B Common Stock, 5,000,000 shares of Class C Common Stock, 1,600,000 shares of Class E Common Stock and 5,000,000 shares of Preferred Stock, of which, the authorized number of shares constituting Series A Preferred is 1,000,000 shares.

B. The Board of Directors of this corporation is authorized to fix or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, including but not limited to the dividend rights, dividend rate, conversion rights, voting rights, and the liquidation preferences, and the number of shares constituting any such series and the designation thereof, of any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares then outstanding.

C. The rights, preferences, privileges and restrictions granted to or imposed upon the respective classes of Class A Common Stock, Class B Common Stock, Class C Stock and Class E Common Stock, shall be equal and identical in all respects, except as follows:

(1) The holders of Class A Common Stock and holders of Class C Common Stock shall be entitled to one vote for each share of Class A Common Stock or Class C Common Stock respectively held of record by said holders; and the holders of Class B Common Stock and the holders of Class E Common Stock shall be entitled to five votes for each share of Class B Common Stock or Class E Common Stock respectively held of record by said holders, on all matters with respect to which holders of such classes of stock are entitled to vote.

(2) Class B Common Stock

(a) Subject to the limitations of subparagraph (f) below, all outstanding shares of Class B, at the election of the holder thereof, shall be convertible into an equal number of fully paid and nonassessable shares of Class A Common Stock by delivery of written notice by the holder of such shares of Class B Common Stock to this corporation, or its transfer agent, of his or her election together with the certificate(s) representing the shares to be converted (and shall reflect any previously declared stock splits, dividends or recapitalization of Class A Common Stock). Thereupon, the corporation, or its transfer agent, as the case may be, shall exchange such certificate(s) for a certificate or certificates representing an equal number of shares of Class A Common Stock. Shares of Class B Common Stock shall be deemed to have been converted immediately prior to the close of business on the day upon which the corporation, or its transfer agent, receives the certificate for such shares for conversion. The person entitled to receive the Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Class A Common Stock at such time.

(b) Except as provided in subparagraph (c) below, upon the sale, assignment, transfer, conveyance, or other disposition, whether voluntary, by operation of law or otherwise (a "Transfer"), of shares of Class B Common Stock, other than a transfer to another holder of Class B Common Stock, the shares so transferred shall, by virtue of such Transfer, automatically be converted into an equal number of fully paid and nonassessable shares of Class A Common Stock.

(c) Upon the death of any holder of Class B Common Stock, the shares of Class B Common Stock so held as of the date of death of the deceased stockholder shall be automatically converted into an equal number of fully paid and nonassessable shares of Class A Common Stock unless and to the extent that any of such shares are purchased by another holder of Class B Common Stock on or prior to 90 days from the date that a legal representative is duly appointed by a court of competent jurisdiction, or 120 days from such date if within such 90 day period another holder of Class B Common Stock has exercised any right to purchase shares of Class B Common Stock held by such legal representative. If there should be only one holder of Class B Common Stock, effective immediately upon his death, the shares of Class B Common Stock so held as of the date of death shall be automatically converted into an equal number of fully paid and nonassessable shares of Class A Common Stock.

(d) With respect to any shares of Class B Common Stock converted into Class A Common Stock pursuant to subparagraphs (b) and (c) above, until surrender as hereinafter provided, each outstanding certificate, which prior to such conversion represented shares of Class B Common Stock, shall be deemed for all purposes to evidence ownership of the number of shares of Class A Common Stock into which the shares of Class B Common Stock shall have been converted. Upon surrender to this corporation, or its transfer agent, for cancellation of the certificate or certificates representing such shares, the holder thereof shall be entitled to receive a certificate or certificates representing the number of shares of Class A Common Stock to which such holder is entitled.

(e) With respect to any shares of Class B Common Stock converted in to Class A Common Stock pursuant to subparagraphs (a), (b) or (c) above, such converted shares of Class B Common Stock shall, after the date of conversion, have the status of authorized but unissued shares of Class B Common Stock and may be reissued as shares of Class B Common Stock.

(f) Holders of Class B Common Stock shall be prohibited, without prior written consent of this corporation, from selling, assigning, transferring, conveying, converting pursuant to subparagraph (a) above, or otherwise disposing of their shares of Class B Common Stock for thirteen (13) months following the effective date of a Registration Statement (the "Effective Date") covering shares of Class B Common Stock filed with the United States Securities and Exchange Commission, provided such registration is declared effective on or before December 31, 2027.

(3) Class C Common Stock

(a) Outstanding shares of Class C Common Stock shall have the same rights and privileges as Class A Common Stock, except as provided in this Section. Class C Common Stock shall not be entitled to receive any cash or property distributions (other than stock splits or stock dividends) or liquidation proceeds until this corporation attains certain earnings levels ("Targets") as defined as follows:

With respect to each Class C Common Stock shareholder's holdings, the Targets will have been met and 100% of the then-outstanding Class C Common Stock will then be eligible to receive cash or property distributions or liquidation proceeds at the same per share rate and priority as Class A Common Stock if, and only if, one or more of the following conditions (each a "Class C Target") is met:

Target 1:

This corporation's net income before provision for income taxes and exclusive of any extraordinary earnings or charges which would result from the conversion of Class C Common Stock (all as determined by this corporation's independent public accountants) (the "Minimum Pretax Income" as further defined below) amounts to at least \$500,000 for any fiscal year ending after December 31, 2024.

Target 2:

This corporation's gross revenue amounts for any fiscal year amounts to at least \$10,000,000 for any fiscal year ending after December 31, 2024.

Target 3:

All accrued dividends or preferred distributions payable to holders of Series A Preferred Stock have been paid (unless this condition is waived by a majority of the holders of Series A Preferred Stock), and holders of the then current outstanding shares of Class A Common Stock have received cumulative distributions of \$1,000,000 from the Corporation; or

Target 4:

On or after September 20, 2024, upon the merger or reorganization of this corporation, the sale of substantially all the assets of the corporation's assets, or a sale or series of sales (to third parties) of 60% or more of the aggregate outstanding Class A and Class B Common Stock.

(b) Except as provided in subparagraph (c) below or upon the merger or reorganization of this corporation, or the sale of substantially all the assets of the corporation's assets; Class C Common Stock may not be sold, assigned, transferred, conveyed, or otherwise disposed, whether voluntary or otherwise (a "Transfer") without prior written consent of this corporation, other than a transfer to another holder of any class of Common Stock or an intervivos transfer to a grantor trust, as described under Section 671 of the Internal Revenue Code of 1986, as amended, provided that such transferee is controlled by the transferor and the transferee acknowledges and agrees to be bound by the restrictions stated in these Articles of Incorporation.

(c) Upon the death of any holder of Class C Common Stock, the shares of Class C Common Stock so held as of the date of death of the deceased stockholder may be transferred to the estate, heirs or descendants by operation of law, subject to the restrictions contained herein.

(d) No dividends, distributions or share of liquidation proceeds (other than stock splits and stock dividends) may be declared or paid on Class C Common Stock until one of the Class C Targets is met.

(4) Class E Common Stock

(a) Outstanding shares of Class E Common Stock shall be converted into shares of Class A Common Stock upon this corporation attaining certain earnings levels or the market price of its Class A Common Stock reaching certain target levels ("Targets") as defined as follows:

(i) With respect to 50% of each Class E Common Stock shareholder's holdings, the Targets will have been met and 50% of the then-outstanding Class E Common Stock will be converted into Class B Common Stock if, and only if, one or more of the following conditions is met:

- 1) this corporation's net income before provision for income taxes and exclusive of any extraordinary earnings or charges which would result from the conversion of Class E Common Stock (all as audited and determined by this corporation's independent public accountants) (the "Minimum Pretax Income") amounts to at least \$3,200,000 for the fiscal year ending December 31, 1996;
- 2) the Minimum Pretax Income amounts to at least \$4,000,000 for the fiscal year ending December 31, 1997;
- 3) the Minimum Pretax Income amounts to at least \$5,600,000 for the fiscal year ending December 31, 1998;
- 4) the Minimum Pretax Income amounts to at least \$8,100,000 for the fiscal year ending December 31, 1999;
- 5) the Bid Price (as defined herein) of the corporation's Class A Common Stock shall average in excess of \$12.50 per share for 30 consecutive trading days at any time during the 18 month period commencing on the Effective Date; or
- 6) the Bid Price of the corporation's Class A Common Stock shall average in excess of \$16.50 per share for 30 consecutive trading days at any time during the 18 month period commencing 18 months from the Effective Date and ending 36 months after the Effective Date.

(ii) With respect to all outstanding shares of Class E Common Stock the Targets will have been met and all outstanding Class E Common Stock will be converted if, and only if, one or more of the following conditions is met:

- 1) the Minimum Pretax Income amounts to at least \$3,900,000 for the fiscal year ending December 31, 1996;
- 2) the Minimum Pretax Income amounts to at least \$4,900,000 for the fiscal year ending December 31, 1997;
- 3) the Minimum Pretax Income amounts to at least \$6,800,000 for the fiscal year ending December 31, 1998;

4) the Minimum Pretax Income amounts to at least \$9,700,000 for the fiscal year ending December 31, 1998;

5) the Bid Price of the corporation's Class A Common Stock shall average in excess of \$15.00 per share for 30 consecutive trading days at any time during the 18 month period commencing on the Effective Date; or

6) the Bid Price of the corporation's Common Stock shall average in excess of \$20.00 per share for 30 consecutive trading days at any time during the 18 month period commencing 18 months from the Effective Date and ending 36 months from the Effective date.

(b) As used herein, the term "Bid Price" (which shall be subject to adjustment in the event of any stock split, dividend or distribution, reverse stock split or other similar event) shall mean:

(i) If the principal market for the Common Stock is a national securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market System, the closing sales price of the Common Stock as reported by such exchange or market system, or on a consolidated tape reflecting transactions on such exchange or market system; or

(ii) if the principal market for the Common Stock is not a national securities exchange or the NASDAQ National market System and the Common Stock is quoted on NASDAQ, the closing bid price of the Common Stock as quoted on NASDAQ; or

(iii) if the principal market for the Common Stock is not a national securities exchange or the NASDAQ National Market System and the Common Stock is not quoted on NASDAQ, the closing bid for the common stock as reported by the National Quotation Bureau, Inc. ("NQB") or at least two market makers in the Common Stock if quotations are not available from NQB but are available from market makers.

(c) Such Class E Common Stock shall be converted into an equal number of fully paid and nonassessable shares of Class B Common Stock (and shall reflect any previously declared stock splits, dividends or recapitalization of Class B Common Stock) by written notice by this corporation to the holder of such shares of Class E Common Stock that the Targets have been attained together with instructions of how to exchange Class E Common Stock certificates for Class B Common Stock Certificates. The corporation, or its transfer agent, as the case may be, shall exchange such certificate(s) for a certificate or certificates representing an equal number of shares of Class B Common Stock. Shares of Class E Common Stock shall be deemed to have been converted immediately prior to the close of business on the day upon which the corporation declares that the Targets have been met. The person entitled to receive the Class B Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Class B Common Stock at such time.

(d) Except as provided in subparagraph (e) below, Class E Common Stock may not be sold, assigned, transferred, conveyed, or otherwise disposed, whether voluntary or otherwise (a "Transfer") without prior written consent of this corporation, other than a transfer to another holder of Class E Common Stock or an intervivos transfer to a grantor trust, as described under Section 671 of the Internal Revenue Code of 1986, as amended, provided that such transferee is controlled by the transferor and the transferee acknowledges and agrees to be bound by the restrictions stated in these Articles of Incorporation.

(e) Upon the death of any holder of Class E Common Stock, the shares of Class E Common Stock so held as of the date of death of the deceased stockholder may be transferred to the estate, heirs or descendants by operation of law, subject to the restrictions contained herein.

(f) With respect to any shares of Class E Common Stock converted into Class B Common Stock pursuant to paragraph (a), above, until surrender as hereinafter provided, each outstanding certificate, which prior to such conversion represented shares of Class E Common Stock, shall be deemed for all purposes to evidence ownership of the number of shares of Class B Common Stock into which the shares of Class E Common Stock shall have been converted. Upon surrender to the corporation, or its transfer agent, for cancellation of the certificate or certificates representing such shares, the holder thereof shall be entitled to receive a certificate or certificates representing the number of shares of Class B Common Stock to which such holder is entitled.

(g) With respect to any shares of Class E Common Stock converted into Class B Common Stock pursuant to subparagraph (a), above, such converted shares of Class E Common Stock shall, after the date of conversion, have the status of authorized but unissued shares of Class E Common Stock and may be reissued as shares of Class E Common Stock.

(h) No dividends, distributions or share of liquidation proceeds may be declared or paid on Class E Common Stock.

(i) Subject to the provisions of the California General Corporation Law and to any other applicable restrictions on the right of a corporation to redeem its own shares, any or all of the unconverted outstanding Class E Common Stock may be redeemed by the corporation at any time after March 31, 2000, for \$.01 per share of Class E Common Stock (hereinafter referred to as the "Redemption Price").

(i) At least 45 days prior to the date fixed for redemption, the corporation shall mail notice of the redemption to the holders of record of the Class E Common Stock shares to be redeemed as of the date of mailing or as of a record date lawfully fixed by the corporation. The notice shall be mailed by first-class mail, postage prepaid to each of those shareholders at the address of that holder appearing on the books of the corporation or given by that holder to the corporation for the purpose of notice, or if no such address appears or is so given, at the place where the principal office of the corporation is located. The notice

shall state the date fixed for redemption, the Redemption Price, and shall require the holder to surrender to the corporation on the date fixed and at the place designated in the notice, the holder's certificate or certificates representing the shares to be redeemed if those shares are certificated.

(ii) On or after the date fixed for redemption, each holder of Class E Common Stock shares called for redemption shall, if those shares are certificated, surrender the certificate evidencing the shares to the corporation at the place designated in the redemption notice and shall at that time be entitled to receive payment of the Redemption Price. If less than all the shares represented by any surrendered certificate are redeemed, a new certificate for the unredeemed shares shall be issued. If the redemption notice is duly given and if sufficient funds are available on the date fixed for redemption to pay the Redemption Price, then, whether or not the certificates evidencing the Class E Common Stock shares to be redeemed are surrendered, all rights with respect to those shares so called for redemption shall cease and terminate as of the date fixed for redemption, except the right of the holders to receive the Redemption Price, without interest, on surrender of their certificates, if those shares are certificated.

(iii) If, on or prior to any date fixed for redemption of Class E Common Stock shares, this corporation deposits with any bank or trust company in California, as a trust fund: (a) a sum sufficient to redeem, on the date fixed for redemption, the shares called for redemption; (b) in the case of the redemption of any uncertificated securities, an officer's certificate (defined below) setting forth the holders of the shares called for redemption, registered on the books of the corporation and the number of shares held by each; and (c) irrevocable instructions and authority to the bank or trust company to give the notice of redemption (or to complete the giving of notice if commenced) and to pay, on and after the date fixed for redemption or prior to that time, the Redemption Price of the shares to their respective holders on surrender of their share certificates (for certificated securities), then from and after the date of the deposit, even though that date may be prior to the date fixed for redemption, the shares so called shall be redeemed and dividends on those shares shall cease to accrue after the date fixed for redemption. "Officer's certificate," as used in the preceding sentence, means a certificate signed and verified by the Board Chairperson or the President or any Vice President, and by the Secretary, the Chief Financial Officer, the Treasurer, or any assistant secretary or assistant treasurer of the corporation. The deposit shall constitute full payment of the shares to their holders, and from and after the date of the deposit, the shares shall no longer be outstanding, and the holders of those shares shall cease to be shareholders with respect to those shares and shall have no rights with respect to them, except the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, on surrender of their certificates if the shares redeemed are certificated and without surrender if the shares redeemed are uncertificated. Any interest accrued on any funds so deposited shall be the property of, and paid to, the corporation. If the holders of Class E Common Stock shares so called for

redemption shall not, at the end of six years from the date fixed for redemption, have claimed any funds to deposited, the bank or trust company shall pay over to the corporation the unclaimed funds, and the bank or trust company shall thereafter be relieved of all responsibility to those holders and those holders shall look only to this corporation for payment of the Redemption Price.

(j) The "Minimum Pretax Income" amounts set forth above shall be adjusted by multiplying the applicable Minimum Pretax Income for each applicable fiscal year by a fraction,

(i) the numerator of which is the weighted average number of shares of all classes of common stock of this corporation outstanding during the fiscal year for which the determination is being made (including Class E Common Stock, but excluding any shares of common stock issued upon exercise of options subject to the corporation's 1994 Stock Option Plan adopted August 30, 1994, as amended), and

(ii) the denominator of which is the sum of: (a) the number of shares of all classes of common stock of this corporation outstanding as of the Effective Date (including Class E Common Stock), plus (b) the number of shares of Class A Common Stock sold pursuant to a Registration Statement covering shares of Class A Common Stock (the "Registration Statement") filed with the United States Securities and Exchange Commission (provided such Registration Statement is declared effective on or before June 30, 1995).

(iii) Minimum Pretax Income shall be calculated exclusive of any extraordinary earnings or extraordinary charges including, but not limited to, any charge to income resulting from the conversion of Class E Common Stock to Class B Common Stock or any charge to income resulting from the issuance of equity securities (restricted or otherwise) to the corporation's directors, employees or consultants.

(k) Any options, warrants or rights to purchase Class E shall be deemed converted into similar options, warrants or rights to acquire Class B Common Stock in the same proportion that outstanding Class E Common Stock is converted upon the attainment of the applicable Targets. Such options, warrants or rights shall also be deemed cancelled in the same proportion that outstanding Class E Common Stock is redeemed.

D. The rights, preferences, privileges and restrictions granted to or imposed upon the Series A Preferred Stock shall be as follows:

(a) The holders of outstanding Series A Preferred shares shall be entitled to receive, when and as declared by the Board of Directors, out of any assets at the time legally available, dividends at the annual rate of \$.20 per Series A Preferred share, payable on the 1st day of each January to holders of Series A Preferred shares of record on a date not more than sixty (60) nor fewer than ten (10) days preceding each respective payment

date as specified by the Board of Directors or, if not so specified, as provided by law. Dividends shall accrue on each Series A Preferred share from the date of its original issuance and shall accrue from day to day, whether or not earned or declared. Dividends shall be cumulative so that if dividends in respect of any previous dividend period and for the current dividend period at the annual rate per share shall not have been paid or declared and set apart for all Series A Preferred shares at the time outstanding, the deficiency shall be fully paid or declared and set apart for those shares (unless waived by a majority of the holders of Series A Preferred Stock) before the corporation makes any distribution to holders of Class A Common Stock, Class B Common Stock, Class C Stock or Class E Common Stock to the extent holders of Class A Common Stock, Class B Common Stock, Class C Common Stock, or Class E Common Stock are entitled to dividends or distributions under the Articles of Incorporation of the corporation.

(1) “Distribution” in this subparagraph (a) means the transfer of cash or property without consideration, whether by way of dividend or otherwise (except a dividend in shares of the corporation that are junior to the Series A Preferred shares as to dividends or assets) or the purchase or redemption of shares of the corporation for cash or property (except such junior shares), including any such transfer, purchase, or redemption by a subsidiary of the corporation. The time of any distribution by way of dividend shall be the date the dividend is declared and the time of any distribution by purchase or redemption of shares or otherwise than by dividend shall be the day cash or property is transferred by the corporation, whether or not pursuant to a contract of an earlier date; provided that when a debt obligation that is a security is issued in exchange for shares, the time of the distribution is the date when the corporation acquires the shares in that exchange.

(b) On any voluntary or involuntary liquidation, dissolution, or winding up of the corporation, the holders of the Series A Preferred shares shall receive out of assets of the corporation, whether those assets are capital or surplus of any nature, the sum of \$2.86 per Series A Preferred share, plus an amount equal to any dividends accrued and unpaid on those Series A Preferred shares, as provided in subparagraph (a) of this Certificate, to the date that payment is made available to the holders of Series A Preferred shares, whether earned or declared or not, and no more, before any payment shall be made or any assets distributed to the holders of Class A Common Stock, Class B Common Stock, Class C Common Stock or Class E Common Stock to the extent holders of Class A Common Stock, Class B Common Stock, Class C Common Stock or Class E Common Stock are entitled to dividends or distributions under the Articles of Incorporation of the corporation.

(1) If on liquidation, dissolution, or winding up of the corporation, the assets so distributed among the holders of Series A Preferred shares shall be insufficient to permit full payment to those shareholders of the full preferential amounts, then the entire assets of the corporation to be distributed shall be distributed ratably among the holders of Series A Preferred shares.

(2) In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the corporation, subject to all of the preferential rights of the holders of

Series A Preferred shares on distribution or otherwise, the holders of Class A Common Stock, Class B Common Stock, and Class E Common Stock shall be entitled to receive, ratably, all remaining assets of the corporation, except to the extent the rights of holders of Class E Common Stock to receive the remaining assets is limited under the Articles of Incorporation of the corporation.

(3) A consolidation or merger of the corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the corporation, shall not be deemed to be a liquidation, dissolution, or winding up of the corporation within the meaning of this subparagraph (b).

(c) The Series A Preferred shares shall be redeemable, at the option of the respective holders of the shares commencing September 30, 2003 and expiring December 31, 2008, at the cash price of \$2.86 per share, plus any accrued but unpaid dividends on the Series A Preferred shares which are redeemed. The holders of Preferred shares shall give notice of exercise of the option to redeem the Series A Preferred shares, by tendering such shares to the corporation at the office of the corporation or any transfer agent for the shares. Redemption consideration will only be payable to the registered holders on the date such registered holder tenders such shares to the corporation at the office of the corporation or any transfer agent of the corporation. Provided, however, the corporation may only redeem shares out of assets legally available therefor. If, at the time any shareholder seeks to redeem his Series A Preferred shares the corporation is not legally able to redeem such shares under Chapter 5 (commencing with Section 500) of the California Corporations Code, such shareholder shall retain the right to redeem the shareholder's shares of Series A Preferred until a period ending ninety (90) days after such shareholder is notified by the corporation that the corporation is legally able to redeem the shares.

(d) Each share of Series A Preferred shall be automatically converted into Class A Common Stock, if not previously redeemed under subparagraph (c) above, on January 1, 2009 or at any time the Bid Price per share (as defined below) of the corporation's Class A Common Stock shall average at least \$3.86 per share for ninety (90) consecutive trading days prior to January 1, 2004 (herein-after the "Conversion Target"). Shares of Series A Preferred shall be deemed to have been converted immediately prior to the close of business on the day upon which the corporation declares that the Conversion Target has been met. The person entitled to receive the Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Class A Common Stock at such time. In addition, on or before September 30, 2000, the Series A Preferred shares shall be convertible at the option of the respective holders of such shares. All conversions referenced in this paragraph shall occur in the following manner:

(1) Shares of Series A Preferred Stock shall be converted at the office of the corporation or any transfer agent for those shares, into fully paid and nonassessable Class A Common Stock (calculated to the nearest one-hundredth of a share, fractions of less than one-hundredth of a share being disregarded) of the corporation, at the conversion price in effect at the time of conversion determined as provided below, each Series A

Preferred share being taken at \$2.86 for the purpose of conversion. The price at which Class A Common Stock shall be deliverable on conversion (referred to as the “conversion price”) shall be initially \$2.86 per share. The initial conversion price shall be subject to adjustment from time to time in certain instances, as provided below. The corporation shall make no payment or adjustment on account of any dividends accrued and unpaid on the Series A Preferred shares surrendered for conversion.

(2) Before any Series A Preferred shares may be converted into Class A Common Stock at the option of the holder, the holder must surrender the certificate or certificates for those Series A Preferred shares duly endorsed in blank or accompanied by proper instruments of transfer, at the office of the corporation or of any transfer agent for the Series A Preferred shares. The holder shall also give written notice to the corporation at that office that the holder elects to convert a specified number or all of the shares represented by the surrendered certificate(s). The notice shall also specify the name or names in which the holder wishes the certificate or certificates for the Class A Common Stock to be issued. If a name specified is not that of the holder, the notice shall also state the address of the new holder and any other information required by law. The corporation shall, as soon as practicable thereafter, issue and deliver at that office to the holder of Series A Preferred shares converted, or to that holder's nominee or nominees, certificates for the number of full Class A Common Stock to which the holder shall be entitled to receive, together with a scrip certificate or cash in lieu of any fraction of a share as provided below. Conversion shall be deemed to have been made as of the date the Series A Preferred shares are surrendered for conversion, and the person or persons entitled to receive the Class A Common Stock issuable on conversion shall be treated for all purposes as the record holder or holders of those shares of Class A Common Stock on that date.

(3) Series A Preferred Shares that are automatically converted on January 1, 2009, or upon the occurrence of the Conversion Target under subparagraph (d) above, shall on these occurrences be converted into Class A Common Stock on the basis set forth above, and such shares of Class A Common Stock shall at that time be issued and outstanding. The Board of Directors may order any holders of outstanding certificates for Series A Preferred shares to surrender them for certificates evidencing Class A Common Stock. The order may provide that a holder of certificates to be so exchanged is not entitled to vote or to receive dividends or to exercise any other rights of a shareholder until the holder has complied with the order, but this order shall be operative only after notice and only until compliance.

(4) If the conversion price in effect immediately prior to the close of business on any date shall exceed by as much as \$.25 the amount determined at the close of business on that date by dividing:

i) a sum equal to \$20,000,000 plus the aggregate of the amounts of all consideration received by the corporation on all classes and issues of common stock after December 31, 1998, by

ii) the total number of outstanding shares of common stock of all classes and issues.

The conversion price shall be reduced, effective at the close of business on the then-effective date, by the largest multiple of ten cents (\$.10) contained in the sum by which the then-effective conversion price exceeds the amount so determined.

For purpose of this subparagraph, the following provisions are applicable:

A. If the corporation shall issue or sell for cash Class A Common Stock, or any shares or obligations convertible into or exchangeable for Class A Common Stock, the consideration received by the corporation shall be deemed to be the amount of cash received, before deducting commissions or expenses paid by the corporation for any underwriting of, or otherwise in connection with, the issue or sale. If the corporation shall issue or sell any of those securities to an underwriter without payment of any commission, the consideration received by the corporation shall be deemed to be the full amount at which those securities are initially offered by the underwriter to the public, unless the difference between the price to the underwriter and the initial public offering price exceeds 15% of the price to the underwriter, in which case the consideration received by the corporation shall be deemed to be the price to the underwriter, plus 15% of the price to the underwriter.

B. If the corporation shall issue (otherwise than on conversion or exchange of obligations or shares of stock of the corporation) additional shares of Class A Common Stock for a consideration other than cash or a consideration partly other than cash, the amount of the consideration other than cash received by the corporation for those shares shall be deemed to be the value of the consideration as determined by the Board of Directors.

C. If the corporation shall issue additional Class A Common Stock, not exceeding in the aggregate 1,000,000 shares of Class A Common Stock as presently constituted (subject to adjustment in case of a subdivision or combination of Class A Common Stock or of a dividend in Class A Common Stock declared on Class A Common Stock), pursuant to stock or option plans for officers or employees of the corporation, for a consideration per share (whether cash, other than cash, or partly other than cash) less than the conversion price in effect immediately prior to the date of issuance, the consideration per share received by the corporation for each of those shares shall be deemed to be the conversion price in effect immediately prior to its issuance.

D. If the corporation shall issue in any manner any rights to subscribe for or purchase Class A Common Stock or any options for the purchase of Class A Common Stock (other than the issuance referred to in clause (C) above), at a consideration per share (as computed below) less than the conversion price in effect immediately prior to the date of the offering of such rights

or the granting of such options, as the case may be, all Class A Common Stock that the holders of those rights or options shall be entitled to subscribe for or purchase pursuant to those rights or options shall be deemed to have been issued or sold as of the date of the offering of those rights or the granting of those options, as the case may be, and the minimum aggregate consideration named in those rights or options for the Class A Common Stock covered thereby, plus the consideration, if any, actually received by the corporation (as of the date of the offering of those rights or the granting of those options, as the case may be) for the issuance of those shares.

E. If the corporation shall issue in any manner any obligations or any shares of the corporation (other than the Preferred shares) that shall be convertible into or exchangeable for Class A Common Stock, at a consideration per share (as computed below) less than the conversion price in effect immediately prior to the date those obligations or shares are issued, all Class A Common Stock issuable on the conversion or exchange of those obligations or shares shall be deemed to be issued as of the date those obligations or shares are issued, and the amount of consideration received by the corporation for those additional Class A Common Stock shall be deemed to be the total of (x) the amount of consideration received by the corporation on the issuance of those obligations or shares, as the case may be, plus (y) the minimum aggregate consideration, if any, other than for those obligations or shares, receivable by the corporation on that conversion or exchange, except in adjustment of interest and dividends.

F. The amount of the consideration received by the corporation on the issuance of any rights or options referred to in clause (D) above, or on the issuance of any obligations or shares that are convertible or exchangeable as described in clause (E) above, and the amount of the consideration, if any, other than those obligations or shares so convertible or exchangeable, receivable by the corporation on the exercise, conversion, or exchange thereof shall be determined in the same manner provided in clauses (A) and (B) above with respect to the consideration received by the corporation in case of the issuance of additional Class A Common Stock, provided, however, that if the obligations or shares of stock so convertible or exchangeable are issued in payment or satisfaction of any dividend on any stock of the corporation other than Class A Common Stock, the amount of the consideration received by the corporation on the original issuance of the obligations or shares so convertible or exchangeable shall be deemed to be the value of those obligations or shares, as of the date of the adoption of the resolution declaring the dividend, as determined by the Board of Directors at or as of that date. On the expiration of any rights or options referred to in clause (D), or the termination of any right of conversion or exchange referred to in clause (E), the conversion price then in effect shall be readjusted to the conversion price that would have been obtained had the adjustments made on the issuance of the option, right, or convertible or exchangeable securities been made on the basis of the delivery of only the number of Class A Common Stock actually delivered on the exercise of those rights or options or on the conversion or exchange of those securities.

G. If the corporation shall issue additional Class A Common Stock as a dividend, the aggregate number of Class A Common Stock issued in payment of the dividend shall be deemed to have been issued and to be outstanding on the day next succeeding the record date for the determination of shareholders entitled to the dividend and shall be deemed to have been issued without consideration.

H. The number of Class A Common Stock at any time outstanding shall include any Class A Common Stock then owned or held by or for the account of the corporation and any shares issuable in respect of scrip or warrants issued in lieu of fractional Class A Common Stock.

I. Each share of Class A Common Stock issued on conversion of Preferred shares shall be deemed to have been issued for a consideration equal to the conversion price in effect at the time of issuance.

J. If the corporation shall at any time subdivide or combine the outstanding Class A Common Stock, or shall issue as a dividend or dividends on the Class A Common Stock a number of Class A Common Stock equaling or aggregating 10% or more of the number of Class A Common Stock outstanding at the close of business on September 30, 1998, or on the date of the next preceding adjustment pursuant to the provisions of this subparagraph, the amount of \$.25 referred to in subparagraph (or the amount to which that amount may have previously been adjusted pursuant to the provisions of this clause (J)) shall be proportionately decreased in the case of subdivision or dividend payable in Class A Common Stock or increased in the case of combination, effective at the close of business on the date of that subdivision or combination or of the declaration of that dividend.

K. The term "dividend", as used in this subparagraph, means a dividend or other distribution on shares of the corporation. In the event of a declaration of a dividend by the corporation without fixing of a record date for the determination of shareholders entitled to that dividend, the date fixed by applicable law for the determination of the shareholders entitled to the dividend shall be deemed to be the record date.

(5) If the corporation shall at any time subdivide the outstanding Class A Common Stock, or shall issue as a dividend on the Class A Common Stock equaling 10% or more of the number of Class A Common Stock outstanding immediately prior to that subdivision or issuance of dividend, the conversion price in effect immediately prior to that subdivision or the issuance of that dividend shall be proportionately decreased, and in case the corporation shall at any time combine the outstanding Class A Common Stock, the conversion price in effect immediately prior to that combination shall be proportionately increased, effective at the close of business on the date of the subdivision, dividend, or combination, as the case may be. For the purpose of this subparagraph, the

date of issuance of any such dividend shall be determined in accordance with clause (K) of subparagraph (4) above.

(6) No fractional Class A Common Stock shall be issued on the conversion of Series A Preferred shares. If any fractional interest in a Class A Common Share would, except for the provisions of this subparagraph, be deliverable on the conversion of any Preferred shares the corporation shall, in lieu of delivering the fractional share for that fractional interest, at its option either (i) adjust the fractional interest by payment to the holder of the converted Series A Preferred shares in an amount in cash equal (computed to the nearest cent) to the current market value of the fractional interest, or (ii) issue nondividend-bearing and nonvoting scrip certificates for fractions of a share that would otherwise be issuable, in form and containing terms and conditions as may be determined by the Board of Directors, and exchangeable, within the period following the date of issue as the Board of Directors shall fix, together with other unexpired scrip certificates of like tenor aggregating one or more full shares, for share certificates representing the full share or shares.

(7) Immediately on adjustment of the conversion price, the corporation shall maintain at its principal executive office and file with the transfer agent, if any, for Series A Preferred shares a statement, signed by the Board Chairperson, or the President, or a Vice President of the corporation and by its chief financial officer or an Assistant Treasurer, showing in reasonable detail the facts requiring the adjustment and the conversion price after the adjustment. The transfer agent shall be under no duty or responsibility with respect to any such statement except to exhibit the statement from time to time to any holder of Series A Preferred shares desiring an inspection.

(8) On any capital reorganization or any reclassification of the capital stock of the corporation, consolidation or merger of the corporation with or into another corporation, or the conveyance of all of substantially all of the assets of the corporation to another corporation, each Series A Preferred share shall thereafter be convertible into the number of shares or other securities or property to which a holder of the number of Class A Common Stock of the corporation deliverable on conversion of the Series A Preferred share would have been entitled on the reorganization, reclassification, consolidation, merger or conveyance; and in any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the Series A Preferred shares, to the end that the provisions set forth (including provisions with respect to changes in, and other adjustments of, the conversion price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares or other property thereafter deliverable on conversion of the Series A Preferred shares.

(9) In the event that the corporation shall set a record date for the purpose of entitling the holders of its Class A Common Stock either to receive a dividend, or any other distribution, payable otherwise than in cash or to subscribe for or purchase any shares of any class or to receive any other rights, or in the event of any consolidation or merger of the corporation with or into another corporation, capital reorganization of the

corporation, reclassification of the corporation's shares (other than a subdivision or combination of its outstanding Class A Common Stock), or conveyance of all or substantially all of the corporation's assets to another corporation, or in the event of the voluntary or involuntary dissolution, liquidation, or winding up of the corporation, then, and in any such case, the corporation shall cause a notice described below to be mailed to the holders of record of the outstanding Series A Preferred shares. The notice shall state the date that has been set as the record date for the purpose of dividend, distribution, or rights, or on which the reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation, or winding up is to take place and the record date as of which holders of Class A Common Stock of record shall be entitled to exchange their Class A Common Stock for securities or other property deliverable on reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation, or winding up. The notice shall be mailed at least ten days prior to the date specified in the notice, as determined pursuant to the provisions of the preceding sentence.

(10) The corporation shall at all times reserve and keep available, out of its authorized but unissued Class A Common Stock, solely for the purpose of effecting conversion of the Series A Preferred shares, the full number of Class A Common Stock deliverable on conversion of all Series A Preferred shares from time to time outstanding. The corporation shall from time to time, in accordance with California law, increase the authorized amount of its Class A Common Stock if at any time the authorized number of Class A Common Stock remaining unissued shall not be sufficient to permit the conversion of all the Preferred at the time outstanding.

(11) The corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of Class A Common Stock on conversion of preferred shares pursuant hereto. The corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of Class A Common Stock in a name other than that in which the Preferred shares so converted were registered, and no such issue or delivery shall be made unless and until the person requesting that issue has paid to the corporation the amount of any such tax, or has established, to the satisfaction of the corporation, that such tax has been paid.

(12) Whenever any reference is made in these provisions to the issue or sale of Class A Common Stock, the term "Class A Common Stock" shall include any stock of any class of the corporation other than Preferred shares with a fixed limit on dividends and a fixed amount payable in the event of any voluntary or involuntary liquidation, dissolution, or winding up of the corporation.

(13) All certificates evidencing Series A Preferred shares surrendered for conversion shall be appropriately cancelled on the books of the corporation, and the shares so converted represented by those certificates shall be restored to the status of authorized but unissued Preferred shares of the corporation.

(14) As used herein, the term "Bid Price" (which shall be subject to adjustment in the event of any stock split, dividend or distribution, reverse stock split or other similar event) shall mean:

i) if the principal market for the Class A Common Stock is a national securities exchange or the National Association of Securities Dealers Automated Quotation Systems ("NASDAQ") National Market System, the closing sales price of the Class A Common Stock as reported by such exchange or market system, or on a consolidated tape reflecting transactions on such exchange or market system; or

ii) if the principal market for the Class A Common Stock is not a national securities exchange or the NASDAQ National Market System and the Class A Common Stock is quoted on NASDAQ, the closing bid price of the Class A Common Stock as quoted on NASDAQ; or

iii) if the principal market for the Class A Common Stock is not a national securities exchange or the NASDAQ National Market System and the Class A Common Stock is not quoted on NASDAQ, the closing bid for the Class A Common Stock as reported by the National Quotation Bureau, Inc. ("NQB") or at least one market maker in the Class A Common Stock if quotations are not available from NQB but are available from a market maker.

V.

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

VI.

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) for breach of duty to the corporation and its shareholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the California Corporations Code.

3. The execution and filing of this certificate was authorized and has been approved by the board of directors.

4. The foregoing amendment and restatement of articles of incorporation has been duly approved by the Board of Directors of the corporation.

5. The foregoing amendment and restatement of articles of incorporation has been duly approved by the required vote of the shareholders of the corporation in accordance with Sections 902 of the California Corporations Code. The total number of outstanding shares of the corporation entitled to vote was _____ (_____ shares common stock and _____ shares of Series A Preferred Stock) of which _____ shares of Class A Common, _____ shares of Class B Common, _____ shares of Class E Common and _____ shares of Series A Preferred were outstanding.

6. The percentage vote required was more than 50% of all outstanding shares of Common Stock, with Class B and Class E Common Stock entitled to 5 votes per outstanding share.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Executed at Union City, California on _____, 2023.

Vinit Saxena, President

George Martinez, Secretary

EXHIBIT B

SEPRAGEN CORPORATION
2023 SHAREHOLDER RESOLUTIONS APPROVING
2023 EQUITY INCENTIVE PLAN

RESOLVED, that it is in the best interests of the Sepragen Corporation (the “Company”) and its shareholders to adopt an equity incentive plan the form of which is attached hereto as Exhibit B (the “Plan”).

FURTHER RESOLVED, the shareholders of the Company hereby approve the terms of the Plan.

FURTHER RESOLVED, that the officers of the Company are authorized and directed to execute and deliver the Plan and any and all documents and do any and all acts which may be necessary for the Company to enter into and comply with its obligations under or in connection with the plan.

EXHIBIT B

SEPRAGEN CORPORATION 2023 EQUITY INCENTIVE PLAN

Adopted _____, 2023, Approved By Shareholders _____, 2023
Termination Date: _____, 2033

1. PURPOSES.

(a) ***Eligible Stock Award Recipients.*** The persons eligible to receive Stock Awards are the Employees, Directors, and Consultants of the Company and its Affiliates.

(b) ***Available Stock Awards.*** The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock bonuses and (iv) rights to acquire restricted Stock.

(c) ***General Purpose.*** The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) ***"Affiliate"*** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) ***"Board"*** means the Board of Directors of the Company.

(c) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(d) ***"Committee"*** means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(e) ***"Common Stock"*** means the common stock of the Company consisting of shares of Class A Common Stock (as determined by the Board of Directors upon grant of such incentive compensation).

(f) ***"Company"*** means Sepragen Corporation, a California corporation.

(g) ***"Consultant"*** means any person, including an independent contractor or advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate.

However, the term “Consultant” shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director’s fee by the Company for their services as Directors.

(h) “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(i) “Covered Employee” means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(j) “Director” means a member of the Board of Directors of the Company and, for purposes of this Plan, a member of the Company’s Advisory Board, if any.

(k) “Disability” means (i) the inability of a person, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of that person’s position with the Company or an Affiliate of the Company because of the sickness or injury of the person or (ii) the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) “Employee” means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

(m) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(n) “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value of the Common Stock shall be the same amount as determined in good faith by the Board.

(iii) Prior to the Listing Date, the value of the Common Stock shall be determined in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations.

(o) **“Incentive Stock Option”** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) **“Listing Date”** means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25100(o) of the California Corporate Securities Law of 1968

(q) **“Non-Employee Director”** means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(r) **“Nonstatutory Stock Option”** means an Option not intended to qualify as an Incentive Stock Option.

(s) **“Officer”** means (i) before the Listing Date, any person designated by the Company as an officer and (ii) on and after the Listing Date, a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) **“Option”** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(u) **“Option Agreement”** means a written agreement between the Company and an Option Holder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) **“Outside Director”** means a Director who either (i) is not a current Employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations

promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an “affiliated corporation” at any time and is not currently receiving direct or indirect remuneration from the Company or an “affiliated corporation” for services in any capacity other than as a Director or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(w) **“Option Holder”** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(x) **“Participant”** means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(y) **“Plan”** means this Watermark Asset Management, Inc. 2015 Equity Incentive Plan.

(z) **“Rule 16b-3”** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(aa) **“Securities Act”** means the Securities Act of 1933, as amended.

(bb) **“Stock Award”** means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(cc) **“Stock Award Agreement”** means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(dd) **“Ten Percent Shareholder”** means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c). Any interpretation of the Plan by the Board and any decision by the Board under the Plan shall be final and binding on all persons.

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be

permitted to receive Class A Common Stock pursuant to a Stock Award; and the number of shares of Class A Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) *Delegation to Committee.*

(i) *General.* The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(ii) *Committee Composition when Common Stock is Publicly Traded.* At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code; and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

4. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.** Subject to the provisions of Section 11 relating to adjustments upon changes in Common Stock, Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate 1,500,000 shares of Common Stock consisting of either.

(b) **Reversion of Shares to the Share Reserve.** If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(c) **Source of Shares.** The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

(d) **Share Reserve Limitation.** Prior to the Listing Date and to the extent then required by Section 260.140.45 of Title 10 of the California Code of Regulations, the total number of shares of Common Stock issuable upon exercise of all outstanding Options and the total number of shares of Common Stock provided for under any stock bonus or similar plan of the Company shall not exceed the applicable percentage as calculated in accordance with the conditions and exclusions of Section 260.140.45 of Title 10 of the California Code of Regulations, based on the securities of the Company that are outstanding at the time the calculation is made.

(e) **Applicability of Investment Advisers Act.** The provisions of the Plan shall be subject to the Investment Advisers Act of 1940, as amended, the regulations and rules promulgated thereunder and any applicable state laws, and applicable licensing authorities.

5. ELIGIBILITY.

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) **Ten Percent Shareholders.**

(i) A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(ii) Prior to the Listing Date, a Ten Percent Stockholder shall not be granted a Nonstatutory Stock Option unless the exercise price of such Option is at least one hundred (100%) of the Fair Market Value of the Common Stock at the date of grant.

(iii) Prior to the Listing Date, a Ten Percent Stockholder shall not be granted a restricted stock award unless the purchase price of the restricted stock is at least one hundred (100%) of the Fair Market Value of the Common Stock at the date of grant.

(c) **Section 162(m) Limitation.** No Employee shall be eligible during any calendar year to be granted Options constituting “remuneration” under Section 162(m) of the Code to the extent that such Employee’s remuneration would thereby exceed \$1,000,000 for such year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, this subsection 5(c) shall not apply until (i) the earliest of (1) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4); (2) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (3) the expiration of the Plan; or (4) the first meeting of shareholders at which Directors are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security under Section 12 of the Exchange Act; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

(d) **S Corporation.** If the Company has elected to be treated as an S Corporation for income tax purposes; any grant of Options or issuances of Common Stock under the Plan that jeopardizes the S Corporation status of the Company shall not be effective unless and until the Board of Directors has made an affirmative election to revoke such S Corporation election.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to the provisions of subsection 5(b) regarding Ten Percent Shareholders, no Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) **Exercise Price of an Incentive Stock Option.** Subject to the provisions of subsection 5(b) regarding Ten Percent Shareholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Exercise Price of a Nonstatutory Stock Option. Subject to the provisions of subsection 5(b) regarding Ten Percent Shareholders, the exercise price of each Nonstatutory Stock Option granted prior to the Listing Date shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The exercise price of each Nonstatutory Stock Option granted on or after the Listing Date shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Option Holder or (3) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(e) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Option Holder only by the Option Holder. Notwithstanding the foregoing, the Option Holder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Option Holder, shall thereafter be entitled to exercise the Option.

(f) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option granted prior to the Listing Date shall not be transferable except by will or by the laws of descent and distribution and, to the extent provided in the Option Agreement, to such further extent as permitted by Section 260.140.41(c) of Title 10 of the California Code of Regulations at the time of the grant of the Option, and shall be exercisable during the lifetime of the Option Holder only by the Option Holder. A Nonstatutory Stock Option granted on or after the Listing Date shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Option Holder only by the Option Holder. Notwithstanding the foregoing, the Option Holder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Option Holder, shall thereafter be entitled to exercise the Option.

(g) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) Termination of Continuous Service. In the event an Option Holder's Continuous Service terminates (other than upon the Option Holder's death or Disability), the Option Holder may exercise his or her Option (to the extent that the Option Holder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Option Holder's Continuous Service (or such longer or shorter period specified in the Option Agreement, which period shall not be less than thirty (30) days for Options granted prior to the Listing Date unless such termination is for cause), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of the Option Holder's Continuous Service hereunder, the Option Holder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) Extension of Termination Date. An Option Holder's Option Agreement may also provide that if the exercise of the Option following the termination of the Option Holder's Continuous Service (other than upon the Option Holder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (A) the expiration of the term of the Option set forth in subsection 6(a) or (B) the expiration of a period of three (3) months after the termination of the Option Holder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) Disability of Option Holder. In the event that an Option Holder's Continuous Service terminates as a result of the Option Holder's Disability, the Option Holder may exercise his or her Option (to the extent that the Option Holder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months for Options granted prior to the Listing Date) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of the Option Holder's Continuous Service hereunder, the Option Holder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) Death of Option Holder. In the event (i) an Option Holder's Continuous Service terminates as a result of the Option Holder's death or (ii) the Option Holder dies within the period (if any) specified in the Option Agreement after the termination of the Option Holder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Option Holder was entitled to exercise such Option as of the date of death) by the Option

Holder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Option Holder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months for Options granted prior to the Listing Date) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) Right of Reacquisition. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to repurchase all or any part of the vested shares of Common Stock acquired by the Option Holder pursuant to the exercise of the Option.

(m) Right of First Refusal. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Option Holder of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option. Except as expressly provided in this subsection 6(m), such right of first refusal shall otherwise comply with any applicable provisions of the Bylaws of the Company and any applicable Shareholders Agreements.

(n) Re-Load Options. Without in any way limiting the authority of the Board to make or not to make grants of Options hereunder, the Board shall have the authority (but not an obligation) to include as part of any Option Agreement a provision entitling the Option Holder to a further Option (a "Re-Load Option") in the event the Option Holder exercises the Option evidenced by the Option Agreement, in whole or in part, by surrendering other shares of Common Stock in accordance with this Plan and the terms and conditions of the Option Agreement. Any such Re-Load Option shall (i) provide for a number of shares of Common Stock equal to the number of shares of Common Stock surrendered as part or all of the exercise price of such Option; (ii) have an expiration date that is the same as the expiration date of the Option the exercise of which gave rise to such Re-Load Option; and (iii) have an exercise price that is equal to one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Re-Load Option on the date of exercise of the original Option. Notwithstanding the foregoing, a Re-Load Option shall be subject to the same exercise price and term provisions heretofore described for Options under the Plan.

Any such Re-Load Option may be an Incentive Stock Option or a Nonstatutory Stock Option, as the Board may designate at the time of the grant of the original Option; provided, however, that the designation of any Re-Load Option as an Incentive Stock Option shall be subject to the one hundred thousand dollar (\$100,000) annual limitation on the exercisability of Incentive Stock Options described in subsection 10(d) and in Section 422(d) of the Code. There shall be no Re-Load Options on a Re-Load Option. Any such Re-Load Option shall be subject to the availability of sufficient shares of Common Stock under subsection 4(a) and the "Section 162(m) Limitation" on the grants of Options under subsection 5(c) and shall be subject to such other terms and conditions as the Board may determine that are not inconsistent with the express provisions of the Plan regarding the terms of Options.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) **Stock Bonus Awards.** Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) **Reacquisition Right.** Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a share release schedule to be determined by the Board.

(iii) **Termination of Participant's Continuous Service.** In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant that have not been released as of the date of termination under the terms of the stock bonus agreement.

(iv) **Transferability.** For a stock bonus award made before the Listing Date, rights to acquire shares of Common Stock under the stock bonus agreement shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. For a stock bonus award made on or after the Listing Date, rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(b) **Restricted Stock Purchase Awards.** Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) **Purchase Price.** Subject to the provisions of subsection 5(b) regarding Ten Percent Shareholders, the purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. For restricted stock purchase awards made prior to the Listing Date, the purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated. For

restricted stock purchase awards made on or after the Listing Date, the purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) *Consideration.* The purchase price of Common Stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (A) in cash at the time of purchase; (B) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (C) in any other form of legal consideration that may be acceptable to the Board in its discretion.

(iii) *Reacquisition Right.* Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company.

(iv) *Termination of Participant's Continuous Service.* In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant as of the date of termination under the terms of the restricted stock purchase agreement.

(v) *Transferability.* For a restricted stock purchase award made before the Listing Date, rights to acquire shares of Common Stock under the restricted stock purchase agreement shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. For a restricted stock purchase award made on or after the Listing Date, rights to acquire shares of Common Stock under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. COVENANTS OF THE COMPANY.

(a) *Availability of Shares.* During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) *Securities Law Compliance.* The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest or be released from any Reacquisition Right in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest or the shares acquired thereunder will be released.

(b) Shareholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market *Value* (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Option Holder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of accepting or exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or

otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (iii) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (iv) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the participant as a result of the exercise or acquisition of Common Stock under the Stock Award; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

(g) Information Obligation. Prior to the Listing Date, to the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall deliver financial statements to Participants at least annually. This subsection 10(g) shall not apply to key Employees whose duties in connection with the Company assure them access to equivalent information.

(h) Section 409A. To the extent that the Board determines that any Option, Stock Purchase Right or Restricted Stock granted under the Plan is subject to Section 409A of the Code, the agreement evidencing such Option, Stock Purchase Right or Restricted Stock shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and any such agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, in the event that the Board determines that any Option, Stock Purchase Right or Restricted Stock may be subject to Section 409A of the Code and related Department of Treasury guidance, the Board may adopt such amendments to the Plan and the applicable agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (i) exempt the Option, Stock Purchase Right or Restricted Stock from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Option, Stock Purchase Right or Restricted Stock, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

(i) Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's

counsel to be necessary to the lawful issuance and sale of any Common Stock hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Common Stock as to which such requisite authority shall not have been obtained.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) ***Capitalization Adjustments.*** If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction “without receipt of consideration” by the Company.)

(b) ***Change in Control--Dissolution or Liquidation.*** In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) ***Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger.*** In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the shareholders in the transaction described in this subsection 11(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such event.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) ***Amendment of Plan.*** The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in

Common Stock, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) *Shareholder Approval.* The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) *Contemplated Amendments.* It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) *No Impairment of Rights.* Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) *Amendment of Stock Awards.* The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) *Plan Term.* The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the shareholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) *No Impairment of Rights.* Suspension or termination of the Plan shall not impair rights and *obligations* under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the shareholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules. By accepting incentive compensation, all Participants consent to the jurisdiction of the state and federal courts of the State of California.

EXHIBIT C

SEPRAGEN CORPORATION

2023 SHAREHOLDER RESOLUTIONS RATIFYING AND APPROVING THE BOARD ACTIONS TAKEN SINCE THE LAST SHAREHOLDERS MEETING

RESOLVED, that it is in the best interests of the Sepragen Corporation (the “Company”) and its shareholders to ratifying and approve the Board of Directors actions taken since the last shareholders meeting.

FURTHER RESOLVED, the shareholders of the Company hereby ratify and approve the Board of Directors actions taken since the last shareholders meeting.

FURTHER RESOLVED, that the officers of the Company are authorized and directed to execute and deliver the Plan and any and all documents and do any and all acts which may be necessary for the Company to enter into and comply with it obligations under or in connection with the plan.