UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

or

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 000-55722

HELIX TCS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**81-4046024**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10200 E. Girard Avenue, Suite B420
Denver, CO 80231
(Address of Principal Executive Offices) (Zip Code)

Telephone: (720) 328-5372
(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common Stock, par value $0.001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No X

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-Accelerated filer	☐	Smaller reporting company	X
		Emerging growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of June 30, 2018, the last business day of the registrant's last completed second quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $19,492,028 based on the closing price of the registrant's common stock, on June 30, 2018, as reported by OTC Markets, Inc. For the purposes of this disclosure, shares of common stock held by each executive officer, director and stockholder known by the registrant to be affiliated with such individuals based on public filings and other information known to the registrant have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 29, 2019, the registrant had 74,223,865 shares of its common stock, par value $0.001 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act o 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"). Forward-lookin statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "estimate," "intend," "could," "should," "would," "may," "seek," "plan," "might," "will," "expect," "predict," "project," "forecast," "potential," "continue" negatives thereof or similar expressions. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future operations, future cash needs, business plans and future financial results, and any other statements that are not historical facts.

Forward-looking statements include, without limitation, statements about our market opportunities, our business and growth strategies, our projected revenue and expense levels, possible future consolidated results of operations, the adequacy of our available cash resources, our financing plans, our competitive position and the effects of competition and the projected growth of the industries in which we operate, as well as the following statements:

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements in this Annual Report on Form 10-K are based on assumptions management believes are reasonable. However, due to the uncertainties associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Further, forward- looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to publicly update any of them in light of new information, future events, or otherwise.

From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-Q and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

We assume no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Helix," the "Company," "we," "us," and "our" refer to Helix TCS, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries.

PART I

ITEM 1. BUSINESS

Company History

Helix TCS, Inc. was incorporated in Delaware on March 13, 2014. Pursuant to the acquisition of the assets of Helix TCS, LLC, as discussed below, v changed our name from Jubilee4 Gold, Inc. to Helix TCS, Inc. effective October 25, 2015.

Effective October 25, 2015, we entered into an acquisition and exchange agreement (the "Acquisition Agreement") with Helix TCS LLC (the "LLC"). W closed the transaction contemplated under the Acquisition Agreement (the "Acquisition") on December 23, 2015 and Helix TCS, LLC was merged into an with Helix.

Pursuant to the terms and conditions of the Acquisition Agreement, the owner of 100% of the issued and outstanding units of the LLC immediately prior to the closing of the Acquisition, exchanged their units for an aggregate of 22,225,000 shares of our common stock (post-reverse split) and all of our issued Class A Preferred Stock.

Effective April 11, 2016, we acquired the assets of Revolutionary Software, LLC ("Revolutionary"). The acquisition occurred through two transactions, th first occurred on March 14, 2016 and the second occurred on April 11, 2016. The total consideration for the acquisition included payment in the form of $650,000 in cash and 2,395,000 shares of restricted common stock of the Company. A portion of the cash consideration was paid at each transaction closing and a portion was paid over time.

On June 2, 2017, the Company entered into a Membership Interest Purchase Agreement (the "Agreement") in which the Company purchased all issued an outstanding Units of Security Grade Protective Services, Ltd. ("Security Grade"), which was comprised of 800,000 Class A Units and 200,000 Class B Unit At closing, the Company delivered $800,000 in cash and 207,427 non-qualified stock options (the "Initial Stock Options"). Furthermore, provided that, within th first 60 days following the closing, no material customer identified in the Agreement terminates its contractual relationship with the Company and that all contracts with such material customers are in full force and effect without default or cancellation as of the 60th day following the closing, on the 61st day following the closing, the Company shall issue 207,427 additional stock options (the "Additional Stock Options"). The Company subsequently issued the 207,42 additional stock options on August 1, 2017 as well as a second cash payment of $800,000 pursuant to the original terms of the Agreement.

In the first quarter of 2018, the Company notified the selling members of Security Grade its intent on exercising its right of setoff noted in the Agreement after discovering misrepresentations made by the selling members of Security Grade. The Company settled with all of the six selling members during 2018. See*Note 6* for further details surrounding the settlements.

On March 3, 2018, Helix TCS, Inc. and its wholly owned subsidiary, Helix Acquisition Sub, Inc. ("Merger Sub"), entered into an Agreement and Plan Merger (the "Merger Agreement") with Bio-Tech Medical Software, Inc. ("BioTrackTHC") and Terence J. Ferraro, as the representative of th BioTrackTHC stockholders, pursuant to which Merger Sub merged with and into BioTrackTHC (the "Merger").

On June 1, 2018 (the "BioTrackTHC Closing Date"), in connection with closing the Merger, the Company issued 38,184,985 unregistered shares of its commo stock to BioTrackTHC stockholders, of which 1,852,677 shares were held back to satisfy indemnification obligations in the Merger Agreement, if necessary The Company also assumed the Bio-Tech Medical Software, Inc. 2014 Stock Incentive Plan ("BioTrackTHC Stock Plan"), pursuant to which optio exercisable in the amount of 8,132,410 shares of common stock are outstanding. As a result, BioTrackTHC stockholders owned approximately 48% of the Company on a fully diluted basis as of the BioTrackTHC Closing Date.

On August 3, 2018 (the "Engeni Closing Date"), the Company and its wholly owned subsidiary, Engeni Merger Sub, LLC ("Engeni Merger Sub"), entered in an Agreement and Plan of Merger (the "Engeni Merger Agreement") with Engeni LLC ("Engeni US"), Engeni S.A ("Engeni SA"), Scott Zienkewicz, Nico Heller and Alberto Pardo Saleme (the "Engeni US members"), and Scott Zienkewicz, as the representative of the Engeni US members. Pursuant to the Engen Merger Agreement, Engeni Merger Sub merged with and into Engeni US, with Engeni US surviving the merger as a wholly-owned subsidiary of the Compan (the "Engeni Merger").

On the Engeni Closing Date, in connection with closing the Engeni Merger Agreement, the Company issued 366,700 shares of Company common stock t Engeni US members. Furthermore, the Company will also issue Engeni US members 366,700 and 366,600 shares of Company common stock upo achievement of specific objectives. If applicable, the Company will pay Engeni US members the aggregate amount of $100,000, on a pro rata basis, if Engen SA reaches financial breakeven on or before December 31, 2018, as determined by the Company's Chief Financial Officer and Scott Zienkewicz. As o December 31, 2018, the Company has not paid this amount to the Engeni US members.

Overview

Helix TCS, Inc. provides critical infrastructure solutions to the legal cannabis industry. Our mission is to provide clients with the best-in-class critica infrastructure services through a single integrated platform which enables them to run their businesses more safely, efficiently, and profitably. As we increase our platform's scale and scope, clients will be able to realize greater cost savings and operating advantages.

Commercial Services

Technology Services

Cannabase

Cannabase is an online community for registered legal cannabis license holders to be able to buy and sell wholesale cannabis legally and transparently. As of December 31, 2018, a majority of the users are in the state of Colorado. We continue to develop the wholesale market by integrating it with other operations in order to provide a single, compliant, and transparent wholesale market that can operate as a real-time commodity exchange. We expect 2019 to be a year of significant activity for this business line.

BioTrackTHC

BioTrackTHC has been rated as the largest retail seed-to-sale compliance software provider by market share, and continued to grow in 2018. The business has tracked over $18bn of legal cannabis transactions, and has expanded into Europe and Latin America, in addition to its 2,000+ client locations, and 9 government contracts. BioTrackTHC's transactional and technological capabilities form the backbone of an integrated services platform that we have built over the last 36 months, and will continue to build and deploy in 2019. In any version of full legalization in the United States, seed-to-sale tracking in commercial locations will be the key compliance tool used by governments to regulate the massive legal cannabis market.

Security Services

Security is a primary concern for licensed cannabis businesses and the state regulators who oversee such programs. Facilities with cannabis permits must adopt strong security systems to protect their businesses and comply with regulations. These businesses maintain valuable inventories onsite and typically also have significant cash holdings since transactions are often conducted in cash. Such facilities are exposed to theft both from outsiders and employees. In addition, business operators in most legal cannabis states must show regulatory agencies that security systems carefully protect and track inventories and transactions. Failure to do so could not only result in large losses, but would also threaten businesses' operating permits and force closure. In Colorado, for example, adult cannabis use laws stress the need for on premise security to control and enforce the age restrictions and act as a general deterrent to unlawful activity.

We provide effective security solutions to cannabis businesses, including assessments and planning, security system design and implementation, asset protection, transport, and assurance of security for the state licensing process. All systems and services are guaranteed to meet individual state regulatory requirements and to achieve compliance.

Security Systems/Physical Security

We provide security system assessment services for our customers and licensed cannabis business operators. Our core existing products and services include the following:

- IP CCTV systems;
- Intrusion alarm systems;
- Perimeter alarm systems;
- Access control; and
- Security consulting.

In 2015, we commenced offering armed and unarmed guards, as well as armed transport services to the cannabis industry in Colorado. As of 2018, we provide site risk assessments and consulting services as well. We have made significant investments in state security licenses and high-level training programs, which have generated positive results in customer acquisition and retention. We have expanded our market further in 2018 by signing new clients in Colorado and forming strategic partnerships to facilitate the potential for national expansion.

Our physical security solutions include the following:

- Armed and unarmed guards;
- Armored transport;
- Background checks;
- Investigations; and
- Risk assessment.

Industry and Regulatory Background

In the 1930's, Congress made marijuana illegal on the federal level, and it was scheduled as a narcotic. In the 1960s and 1970s, as the popularity of marijuana use grew, states began to realize that they needed drug policies consistent with the community and consumer use of marijuana. Under the Federal Controlled Substances Act of 1970, marijuana is currently classified as a "Schedule I" controlled substance. The level of enforcement in states varies widely regarding marijuana.

In 1996, Oregon and California passed legislation that legalized the possession and consumption of marijuana use for medical purposes. As of December 31 2018, thirty-three states and the District of Columbia have legalized marijuana in one form or another. The Colorado, Washington, Oregon, and Alaska state policies to legalize recreational marijuana were not challenged by federal authorities, which was largely due to the guidance put forth in the August 29, 2013 memorandum from James Cole, the U.S. Deputy Attorney General, titled "Guidance Regarding Marijuana Enforcement" (the "Cole Memo"). Th memorandum states that federal enforcement agencies are unlikely to enforce the Controlled Substances Act in states where marijuana has been legalized, and where the regulation and control is functional. As of December 31, 2018, ten states and the District of Columbia have legalized recreational cannabis use.

On the federal level, marijuana has been considered an illegal substance since 1930. This has caused various impediments to the marijuana industry, the most prominent of which is in banking. Although the U.S. Treasury has provided guidance intended to give banks the confidence that they can work with marijuana businesses in legal cannabis states, many banks are still reluctant to do so.

Government Regulation

Marijuana is categorized as a "Schedule I" controlled substance by the Drug Enforcement Agency and the United States Department of Justice. It is current illegal to grow, possess, sell, purchase, and/or consume cannabis under Federal law. A Schedule I controlled substance is defined as a substance that has no currently accepted medicinal use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department o Justice also characterizes Schedule I controlled substances as the most dangerous drugs of all the drug schedules with potentially severe psychological and/o physical dependence.

Despite this, thirty-three states and the District of Columbia have passed state laws that permit doctors to prescribe cannabis for medicinal use. Additionally, ten states, and the District of Columbia, have enacted laws that allow recreational adult use of cannabis. As a result of the foregoing, an unpredictable business environment has been created for cannabis companies that can legally operate under state laws but are nonetheless openly in violation of Federal laws. On August 29, 2013, United States Deputy Attorney General James Cole issued the Cole Memo to United States Attorneys guiding them to prioritize enforcement of Federal law away from the cannabis industry operating as permitted under state law, so long as:

- cannabis is not being distributed to minors and dispensaries are not located around schools and public buildings;
- the proceeds from sales are not going to gangs, cartels or criminal enterprises;
- cannabis grown in states where it is legal is not being diverted to other states;
- cannabis-related businesses are not being used as a cover for sales of other illegal drugs or illegal activity;
- there is not any violence or use of fire-arms in the cultivation and sale of marijuana;
- there is strict enforcement of drugged-driving laws and adequate prevention of adverse health consequences; and
- cannabis is not grown, used, or possessed on Federal properties.

In January 2018, the Trump administration rescinded the Obama-era directive of easing federal enforcement on legalized marijuana usage. The subsequent departure of Jeff Sessions as Attorney General has signaled to the industry a potential softening of the federal government's stance, and the recent introduction of a banking bill that would allow the cannabis industry to obtain banking services if enacted into law would also be a positive step.

The Market

The market has two categories of participants: consumers (i.e. users, retail buyers, individuals) and businesses (i.e. operators, cultivators, retailers, processors, etc.). Consumers are those that are permitted to use marijuana for medicinal purposes and have received medical advice from physicians for conditions that qualify for treatment with cannabis under state-specific guidelines. In ten states and the District of Columbia, anyone who is 21 years or older can consume cannabis products for medical purposes as described above, or for recreational purposes.

Businesses include companies that handle marijuana directly, including cultivators, processors, dispensaries and retail distributors. Also, included in businesses are companies that do not directly handle the marijuana plant or products, but benefit from the industry as participating ancillary businesses (i.e. equipment manufacturers, insurance companies, lenders, etc.).

Legal cannabis businesses that produce and distribute cannabis products serve patient and adult consumer populations in states that have passed and enforce cannabis laws. As more states adopt marijuana regulations to legalize cannabis, the number of businesses in the industry may accelerate rapidly.

Sales and Marketing Strategy

In 2019, we will continue to focus on key U.S. states such as California and Nevada, and will accelerate our international expansion.

Growth within these geographies, in addition to new states coming online and the expansion of cannabis programs in mature state markets, will increase the addressable market. These expanded state regulatory approvals that permit larger patient bases for medicinal and recreational cannabis use further imply and emphasize the potential for substantial expansion beyond the near-term opportunities.

Many states are emulating Colorado's regulatory model, which requires tight business security, compliance, and adherence to regulations enforced by state and industry oversight agencies. Helix's experience with compliance in multiple states and municipalities provides a significant competitive advantage for serving businesses in new markets, especially those that are adopting rules similar to the Colorado cannabis laws.

The cannabis industry is expanding, not only in terms of the number of states with cannabis laws, but also in the scope of business transactions allowed under state regulations. Ten states and the District of Columbia, for example, have approved the legal sale of marijuana for both recreational and medicinal use. This has increased cannabis sales, revenue, and taxes in those states, when compared to the market size of medicinal cannabis alone. The successful results of these state cannabis programs provide viable incentives for other states to legalize cannabis for recreational use, a few of which legalized recreational cannabis use in the November 2016 election.

Helix expanded operations through its acquisition of BioTrackTHC in June 2018. BioTrack is the leader in the seed-to-sale tracking software provided to bot governments and commercial enterprises. BioTrack has customers in every state where cannabis is legal and 6 countries, with over 2,000 customer locations. The subsequent acquisition of Engeni provided Helix a software development platform where the next generation of the BioTrack software is being developed The enhanced capabilities of this second generation of the software will enable us to continue to experience strong customer acquisition. In addition, Helix wil continue to achieve market penetration in key geographies by working with state regulatory agencies around compliance, adding key personnel, word of mouth, client expansion into new markets and targeted marketing campaigns in markets where management feel opportunities are greatest.

Business Acquisitions

During the second quarter of 2017, we greatly enhanced our core operations with the acquisition of Security Grade. Security Grade is a market leader in the security profession and provides a broad range of services, from security consulting to installation of surveillance technology. Consistent with our team of professionals, Security Grade employs specialists with extensive experience and exposure to all areas of security related services. This strategic acquisition wil help field the growing demand in the Legal Cannabis Industry.

On March 3, 2018, Helix TCS, Inc. and its wholly owned subsidiary, Merger Sub, entered into the Merger Agreement with BioTrackTHC and Terence Ferraro, as the representative of the BioTrackTHC stockholders, pursuant to which Merger Sub merged with and into BioTrackTHC.

On August 3, 2018, the Company and its wholly owned subsidiary, Engeni Merger Sub, entered into an Agreement and Plan of Merger with Engeni US, Enge SA, the Engeni US members, and Scott Zienkewicz, as the representative of the Engeni US members. Pursuant to the Engeni Merger Agreement, Enge Merger Sub merged with and into Engeni US, with Engeni US surviving the merger as a wholly-owned subsidiary of the Company.

Asset Acquisition

During March and April 2016, we acquired the assets of Revolutionary. Revolutionary was the founder and operator of Cannabase which aspired to be a wholesale marketplace for the legal cannabis industry. The assets acquired were development stage software, web addresses, and certain trademarks. We have transformed certain intangible assets into business lines that were not explored by Revolutionary prior to the transaction. Revolutionary's revenue was generated primarily from wholesale brokerage commissions from transactions that were facilitated by the Cannabase platform.

Cannabase was a tradename used for an attempt to build an online community. There was virtually no revenue created prior to our acquisition of Revolutionary assets. The Company has and will continue to spend significant capital to attempt to develop this online community. The Company intends to do this by writing new software code, hiring salespeople, and opening into other states. Revolutionary was not scalable on a multi-regional basis due to it being limited to the legal cannabis industry which is operational in certain states. The revenues generated since the asset acquisition have been generated from an advertising business model that was not in effect at Revolutionary. Since only nominal revenues had been generated previous to the acquisition, and the Company has had to, and will continue to, invest substantial capital to transform the software assets acquired for use in a new business model.

We are currently in the process of developing advertising, consumer-focused, and data-related business lines using the intellectual property acquired. To achieve the new business plan, we expect it will continue to take significant management time, as well as substantial financial resources in software development, marketing, sales personnel, and technology expenditures.

Competition

We have positioned ourselves as an innovative security firm with a recognizable brand that offers effective and consistent services. Our competition in the security services sector of the cannabis industry includes: Blue Line Protection Group, Safe Systems, Inc., Iron Protection Group, and a variety of smaller, loc security companies. Certain of these security providers, like Canna Security America, have gone out of business since our last 10-k. We believe that Helix TCS has the largest cannabis-focused security business in the state of Colorado. We believe that we can continue to compete successfully with these companies based on our favorable reputation for outstanding reliability, customer service, and value added. There is no assurance, however, that our ability to deliver services successfully will not be impacted by competition that currently exists or may arise in the future.

BioTrackTHC also has multiple competitors. Some are focused solely on government traceability systems. Some are focused solely on point-of-sale software Some provide all aspects of commercial software. And one company competes with BioTrack in all verticals. As the industry continues to grow, and as more geographies legalize cannabis, we expect more competitors will emerge, while some of the smaller ones will likely cease doing business or be acquired.

Employees

As of December 31, 2018, we employed 154 full time employees and 24 part time employees. We believe that the employer-employee relationships in our Company are positive. We have no labor union contracts.

Available Information

Our website address is https://helixtcs.com/. We do not intend our website address to be an active link or to otherwise incorporate by reference the contents of the website into this Report. The U.S. Securities and Exchange Commission (the "SEC") maintains an Internet website (http://www.sec.gov) that contai reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below as well as other information provided to you in this document, including information in the section of this document entitled "Forward Looking Statements." The risks and uncertainties described below are not the only ones we are facing. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected and our shareholders may lose all or part of their investment in our company.

The business, financial condition, and operating results of Helix can be affected by several factors, whether currently known or unknown, including, but not limited to, those described below. Any one or more of these factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations, and stock price.

Because of the following factors, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business and Industry

Our business is heavily dependent on state laws pertaining to the cannabis industry.

Currently, thirty-three states, the District of Columbia and the United States territories of Guam and Puerto Rico allow individuals to use medicinal cannabis legally. Furthermore, ten states, and the District of Columbia have enacted laws that allow recreational adult use of cannabis. Continued growth and innovation in the cannabis industry is dependent upon continued legislative acceptance and approval of cannabis use at the state level. Any number of factors could slow or halt progress in this area. Further, progress in the cannabis industry, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt the use or sale of cannabis, which would negatively impact our business.

Cannabis remains illegal under Federal law.

Despite the emergence of a cannabis industry legal under state laws, state laws legalizing medicinal and adult cannabis use are in conflict with the Federal Controlled Substances Act, which classifies cannabis as a Schedule I controlled substance and makes cannabis use and possession illegal on the Federal level. The United States Supreme Court has ruled that it is the Federal government that has the right to regulate and criminalize cannabis, even for medicinal purposes, and thus, Federal law criminalizing the use of cannabis preempts state laws that legalize its use. The Obama administration effectively stated that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Trump administration has made statements implying that it could change this policy and decide to enforce the federal laws strongly, though no specific measures have yet been implemented other than revocation of the Cole Memo and two others. Any negative material change in the Federal government's policy on enforcement of these laws could potentially cause significant financial damage to us and our shareholders.

Laws and regulations affecting the cannabis industry are constantly changing, which could potentially have a detrimental effect on our business. We cannot predict the impact that future regulation may have on us.

Local, state, and federal cannabis laws and regulations are constantly changing and they are subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or to alter one or more of our service offerings. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our revenues, profitability, and financial condition.

We cannot predict the nature of any future laws, rules, regulations, interpretations, or applications, nor can we predict or determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Changes in laws or interpretation of laws could potentially have a material adverse effect on our business, financial condition, and results of operations. It is possible that we could be forced to alter our service offerings for various reasons.

As possession and use of cannabis are illegal under the Federal Controlled Substances Act, we may be deemed to be aiding and abetting illega activities through the services that we provide to users. As a result, we may be subject to enforcement actions by law enforcement authorities, which would materially and adversely affect our business.

Under Federal law, and more specifically the Federal Controlled Substances Act, the possession, use, cultivation, and transfer of cannabis is illegal. Ou business provides services to customers that are engaged in the business of possession, use, cultivation, and/or transfer of cannabis. As a result, law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us, including, but not limited, to a claim of aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). As a result of such a action, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Federal enforcement practices could change with respect to service providers to participants in the cannabis industry, which could adversely impact us. If the federal government were to change its practices, or were to expand its resources attacking providers in the cannabis industry, such action could have a materially adverse effect on our operations, our customers, or the sales of our products.

It is possible that additional Federal or state legislation could be enacted in the future that would prohibit our customers from selling cannabis. If such legislation were enacted, our customers may discontinue the use of our services and our potential source of customers would be reduced, causing revenues to decline. Further, additional government disruption in the cannabis industry could cause potential customers and users to be reluctant to use our services, which would be detrimental to the Company. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Expansion by well-established security companies into the cannabis industry could prevent us from realizing anticipated growth in customers and revenues.

Traditional security companies may expand their businesses into cannabis security services. If they decide to expand into cannabis security services, this could hurt the growth of our business and cause our revenues to be lower than we expect.

Due to our involvement in the cannabis industry, we may have a difficult time obtaining the insurance coverage that is desired to operate our business, which may expose us to additional risk and financial liabilities.

Insurance that is otherwise readily available, such as worker's compensation, general liability, and directors' and officers' insurance, is more difficult for us to find, and more expensive, because we are service providers to companies in the cannabis industry. There are no guarantees that we will be able to find such insurance in the future, or that the cost will be affordable to us. If we are forced to go without such insurance, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

Participants in the cannabis industry may have difficulty accessing the service of banks, which may make it difficult for us to operate.

Despite recent rules issued by the United States Department of the Treasury mitigating the risk to banks who do business with cannabis companies permitted under state law, as well as recent guidance from the United States Department of Justice, banks remain wary to accept funds from businesses in the cannabis industry. Since the use of cannabis remains illegal under Federal law, there remains a compelling argument that banks may be in violation of Federal law when accepting for deposit funds derived from the sale or distribution of cannabis. Consequently, businesses involved in the cannabis industry continue to have trouble establishing banking relationships. An inability to open bank accounts may make it difficult for us, or some of our customers, to do business.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.

We have a limited operating history. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We have not generated positive earnings and there can be no assurance that we will achieve profitable operations. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

We will need additional capital to fund our operations.

We will require additional capital to fund our current operations and anticipated expansion of our business and to pursue targeted revenue opportunities. We cannot assure you that we will be able to raise additional capital. If we are able to raise additional capital, we do not know what the terms of any such capital raising would be, and whether they will be on terms acceptable to us. In addition, any future sale of our equity securities would dilute the ownership and control of our current shareholders and could be at prices substantially below prices at which our shares currently trade. Our inability to raise capital could require us to significantly curtail or terminate our operations.

Our failure to manage growth effectively could impair our business.

Our business strategy envisions a period of rapid growth that may put a strain on our administrative and operational resources, and funding requirements. Our ability to effectively manage growth will require us to continue to expand the capabilities of our operational and management systems and to attract, train, manage and retain qualified personnel. There can be no assurance that we will be able to do so, particularly if losses continue and we are unable to obtain sufficient financing. If we are unable to successfully manage growth, our business, prospects, financial condition, and results of operations could be adversely affected.

Our plans are dependent upon key individuals and the ability to attract qualified personnel.

In order to execute our business plan, we will be dependent on Zachary Venegas, our Chief Executive Officer and Director. The loss of Mr. Venegas could have a material adverse effect upon our business prospects. Moreover, our success continues to depend to a significant extent on our ability to identify, attract, hire, train and retain qualified professional, creative, technical and managerial personnel.

Competition for such personnel is intense, and there can be no assurance that we will be successful in identifying, attracting, hiring, training, and retaining such personnel in the future. If we are unable to hire, assimilate and retain qualified personnel in the future, our business, operating results, and financial condition could be materially adversely effected. We may also depend on third party contractors and other partners, to assist with the execution of our business plan. There can be no assurance that we will be successful in either attracting and retaining qualified personnel, or creating arrangements with such third parties. The failure to succeed in these endeavors would have a material adverse effect on our ability to consummate our business plans.

We have taken various steps to address our ability to retain our key employees, including nondisclosure and non-compete agreements with all our employees.

Our lack of patent and/or copyright protection and any unauthorized use of our proprietary information and technology, may adversely affect our business. Information technology, network and data security risks could harm our business.

We currently rely on a combination of protections by contracts, including confidentiality and nondisclosure agreements, and common law rights, such as trade secrets, to protect our intellectual property which includes business processes. However, we cannot assure you that we will be able to adequately protect our intellectual property from misappropriation in the United States. This risk may be increased due to the lack of any patent and/or copyright protection. Despite our efforts to protect our intellectual property rights, others may independently develop similar marks or duplicate our service offerings. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property rights in the United States in a cost-effective manner. If any of our proprietary rights are misappropriated or we are forced to defend our intellectual property rights, we will incur substantial costs. Such litigation could result in substantial costs and diversion of our resources, including diverting the time and effort of our senior management, and could disrupt our business, as well as have a material adverse effect on our business, prospects, financial condition and results of operations. We can provide no assurance that we will have the financial resources to oppose any actual or threatened infringement by any third party.

Security breaches and other disruptions could compromise our information and expose us to liability, which could cause our business and reputation to suffer.

Our business faces security risks. Our failure to adequately address these risks could have an adverse effect on our business and reputation. Computer viruses break-ins, or other security problems could lead to misappropriation of proprietary information and interruptions, delays, or cessation in service to our customers.

As a public company, we are required to incur substantial expenses.

We are subject to the periodic reporting requirements of the Exchange Act, which requires, among other things, review, audit, and public reporting of our financial results, business activities, and other matters. SEC regulations, including regulations enacted as a result of the Sarbanes-Oxley Act of 2002, have also substantially increased the accounting, legal, and other costs related to compliance with SEC reporting obligations. If we do not have current information about our Company available to market makers, they will not be able to trade our stock. The public company costs of preparing and filing annual and quarterly reports, and other information with the SEC causes our expenses to be higher than they would be if we were privately-held. These increased costs may be material and may include the hiring of additional employees and/or the retention of additional advisors and professionals. Our failure to comply with the federal securities laws could result in private or governmental legal action against us and/or our officers and directors, which could have a detrimental effect on our business and finances, the value of our stock, and the ability of stockholders to resell their stock.

Risks Related to Our Common Stock

Our officers and directors own a large amount of our common stock and are in a position to affect all matters requiring shareholder approval, which may limit minority shareholders' ability to influence corporate affairs.

As of December 31, 2018, the Company's officers and directors directly or indirectly owned or controlled approximately 48,584,025 shares of our common stock (66.86%). We have 72,660,825 outstanding shares of common stock as of December 31, 2018. These persons are in a position to significantly affect all matters requiring shareholder approval, including the election of directors. This level of control may also have an adverse impact on the market value of our shares, as the control entity can institute or undertake transactions, policies or programs that result in losses. In addition, they might not take steps to increase visibility and presence in the financial community and/or may sell sufficient numbers of shares to significantly decrease the appropriate price per share.

The interests of our officers, directors and their affiliates may differ from the interests of other shareholders with respect to the issuance of shares, business transactions with and/or sales to other companies, selection of officers and directors, and other business decisions. The non-controlling shareholders would be severely limited in their ability to override the decisions of controlling shareholders. This level of control may also have an adverse impact on the market value of our shares because they may institute or undertake transactions, policies or programs that result in losses, may not take steps to increase our visibility in the financial community and/or may sell sufficient numbers of shares to significantly decrease our price per share.

Trading in our common stock has been limited, and there is no significant trading market or price discovery available for our common stock. Purchasers of our common stock may be unable to sell their shares.

Our common stock is currently quoted on the OTCQB, however trading to date has been limited. If activity in the market for shares of our common stock does not increase, purchasers of our shares may find it difficult to sell their shares. We currently do not meet the initial listing criteria for any registered securities exchange, including the NASDAQ Stock Market. The OTCQB is a less recognized market than the foregoing exchanges and is often characterized by low trading volume and significant price fluctuations. These and other factors may further impair our stockholders' ability to sell their shares when they want to and/or could depress our stock price. As a result, stockholders may find it difficult to dispose of, or obtain accurate quotations of the price of our securities because smaller quantities of shares could be bought and sold, transactions could be delayed and security analyst and news coverage of our Company may be limited. These factors could result in lower prices and larger spreads in the bid and ask prices for our shares of common stock.

***Applicable SEC rules governing the trading of "penny stocks" may limit the trading and liquidity of our common stock which may affect the trading price our* common stock.**

Our common stock is a "penny stock" as defined under Rule 3a51-1 of the Exchange Act, and is accordingly subject to SEC rules and regulations that impose limitations upon the manner in which our common stock can be publicly traded. Penny stocks generally are equity securities with a per share price of less than $5.00 (other than securities registered on some national securities exchanges or quoted on NASDAQ). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market.

The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and "accredited investors" must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, of our common stock and reducing the liquidity of an investment in our common stock.

We have outstanding shares of preferred stock with rights and preferences superior to those of our common stock.

The issued and outstanding shares of Class A and Class B Preferred super majority voting stock grant the holders of such preferred stock anti-dilution, voting dividend and liquidation rights that are superior to those held by the holders of our common stock. The issuance of shares of common stock in the future, issuances or deemed issuances of additional shares of common stock for a price below the applicable preferred stock conversion price, will have the effect of diluting current shareholders.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operation and access to capital. We have not performed an in-depth analysis to determine if historical un-discovered failures of internal controls exist, and may in the future discover areas of our internal control that need improvement.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, these rules and regulations increase our compliance costs and make certain activities more time consuming and costly. As a public company, these rules and regulations also may make it more difficult and expensive for us to obtain director and officer liability insurance and we may at times be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Thus, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

Our operating results may fluctuate causing volatility in our stock price.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. The following factors may affect our operating results, causing volatility in our stock price:

- Our ability to execute our business plan;
- Our ability to compete effectively;
- Our ability to continue to attract customers;
- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations, and infrastructure;
- General economic conditions and those economic conditions specific to the cannabis industry; and
- Our ability to attract, motivate and retain high quality employees.

Our stock price may be volatile.

The market price of our common stock is highly volatile and subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- Changes in our industry;
- Competitive pricing pressure;
- Our ability to obtain working capital financing;
- Quarterly variations in our results of operations;
- Changes in estimates of our financial results;
- Investors' general perception of the Company;
- Disruption to our operations;
- The emergence of new sales channels in which we are unable to compete effectively;
- Commencement of, or our involvement in, litigation;
- Any major change in our Board of Directors or management; and
- Changes in governmental regulations or in the status of our regulatory approvals.

Our shares of common stock are thinly traded, and therefore the price may not accurately reflect our value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future.

Our shares of common stock are thinly traded. Only a small percentage of our common stock is available to be traded, and is held by a small number of holders and the price, if traded, may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dependent on the perception of our operating business, among other things. We will take certain steps including utilizing investor awareness campaigns, press releases, road shows and conferences to increase awareness of our business and any steps that we might take to bring us to the awareness of investors may require that we compensate consultants with cash and/or stock.

There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business and trading may be at an inflated price relative to the performance of our company due to, among other things, availability of sellers of our shares. If a market should develop, the price may be highly volatile. Because there may be a low price for our shares of common stock, many brokerage firms or clearing firms may not be willing to effect transactions in the securities or accept our shares for deposit in an account. Even if an investor finds a broker willing to affect a transaction in the shares of our common stock, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of low priced shares of common stock as collateral for any loans.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market, including shares issued in private placements upon the effectiveness of the registration statement required to be filed, or upon the expiration of any statutory holding period under Rule 144, it could create a circumstance commonly referred to as an "overhang" and in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

We do not pay dividends on our common stock.

We have not paid any dividends on our common stock and do not anticipate paying dividends in the foreseeable future. We plan to retain earnings, if any, to finance the development and expansion of our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The table below represents the facilities in which we lease office space:

Location	Monthly Rent	Lease Term	Expiration Date
10200 E. Girard Avenue, Denver, CO 80231	$3,572 to $3,704	25 months	6/30/2020
5300 DTC Parkway, Suite 300, Greenwood Village, CO 80111	$6,011 to $6,718	5 years	2/28/2021
6750 North Andrews Avenue, Suite 325, Fort Lauderdale, FL 33309	$19,380 to $20,560	34 months	11/30/2021
6750 North Andrews Avenue, Suite 325, Fort Lauderdale, FL 33309	$15,200 to $16,127	3 years	12/31/2024
5600 South Quebec Street, Suite 100D, Greenwood Village, CO	$5,575 to $5,714	2 years	11/30/2019
921 Lakeridge Way, Suite 301, Olympia, WA 98502	$3,500 to $3,713	3 years	2/28/2021
1136 Union Mall, Honolulu, HI 96813	$1,106 to $1,142	37 months	5/31/2020
Ave. Ponce de Leon 1225, Suite 601, Santurce, Puerto Rico 00907	$1,005	1 year	8/15/2019

ITEM 3. LEGAL PROCEEDINGS.

Occasionally, we may be involved in claims and legal proceedings arising from the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. If these estimates and assumptions change or prove to be incorrect, it could have a material impact on our consolidated financial statements. Contingencies are inherently unpredictable and the assessments of the value can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

There is currently no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self- regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our Company's or our Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material effect on the Company, with the exception of:

Baker, et al. v. Helix TCS, Inc.

On March 8, 2017, two former employees filed a lawsuit in the United States District Court for the District of Colorado alleging violations of the Fair Labo Standards Act and the Colorado Wage Act on behalf of themselves and other employees. The plaintiffs seek damages for our alleged failure to compensate them appropriately for the overtime hours they worked as purported "non-exempt" employees. As of December 31, 2018, the claim is currently in the process of discovery.

Kenney, et al. v. Helix TCS, Inc.

On July 20, 2017 one former employee filed a lawsuit in the United States District Court for the District of Colorado alleging violations of the Fair Labo Standards Act on behalf of themselves and other employees. The plaintiffs seek damages for our alleged failure to compensate them appropriately for the overtime hours they worked as purported "non-exempt" employees. As of December 31, 2018, the claim is currently in the process of discovery.

At this time, the Company is not able to predict the outcome of the lawsuits, any possible loss or possible range of loss associated with the lawsuits or any potential effect on the Company's business, results of operations or financial condition. However, the Company believes the lawsuits are wholly without merit and will defend itself from these claims vigorously.

Helix TCS, Inc. v. Beckett, et al.

On March 6, 2018 the Company filed a lawsuit in the District Court for the city and county of Denver alleging violations in previously disclosed representation and warranties by the plaintiff as part of the Security Grade acquisition. Following the appointment of a registered Pubic Company Accounting Oversight Board ("PCAOB") auditor, certain financial misrepresentations, including undisclosed liabilities, the overstatement of revenues, and the misclassification of certain revenues as being recurring, were discovered, ultimately artificially inflating the price of the membership interests in Security Grade. All matters related to the acquisition of Security Grade have been settled as of December 31, 2018.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURC OF EQUITY SECURITIES.

Market Information

Our common stock is quoted on the OTCQB tier of the OTC Markets, Inc. under the symbol "HLIX". Our stock has been thinly traded on the OTCQB there can be no assurance that a liquid market for our common stock will ever develop. The table below includes activity from the fiscal years ended December 31, 2018 and 2017, based on the aforementioned acquisition and exchange agreement with Helix TCS, LLC.

Fiscal Year Ended December 31, 2017	High	Low
First Quarter	$ 8.75	$ 3.25
Second Quarter	$ 9.25	$ 3.80
Third Quarter	$ 4.95	$ 2.26
Fourth Quarter	$ 4.60	$ 0.75

Fiscal Year Ended December 31, 2018	High	Low
First Quarter	$ 4.50	$ 1.35
Second Quarter	$ 2.05	$ 1.30
Third Quarter	$ 1.64	$ 0.98
Fourth Quarter	$ 1.45	$ 0.90

Holders

As of March 29, 2019, there were approximately 179 record holders of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers or registered clearing agencies.

Transfer Agent and Registrar

We have appointed Corporate Stock Transfer, Inc., to act as the transfer agent of our common stock. Their address is 3200 Cherry Creek Dr. South, Denver CO 80209.

Dividend Policy

We currently intend to retain future earnings, if any, for use in the operation of our business and to fund future growth. We have never declared or paid cash dividends on our common stock and we do not intend to pay any cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors in light of conditions then-existing, including factors such as our results of operations, financial conditions and requirements, business conditions and covenants under any applicable contractual arrangements.

Unregistered Sales of Equity Securities

During the year ended December 31, 2018, we issued 4,389,997 shares of restricted common stock, with proceeds received totaling $4,068,960. We also issued 38,551,685 shares of common stock as part of the BioTrackTHC & Engeni US acquisitions. We also issued 514,945 shares of common stock pursuant to the Company's 2017 Omnibus Stock Incentive Plan. We also issued 226,822 shares of common stock resulting from stock options exercised. Additionally, we issued 205,974 shares of restricted common stock resulting from convertible note conversions. We relied on the exemption provided by Section 4(a)(2) of the Securities Act of 1933 to issue the common stock. The securities were offered and sold without any form of general solicitation of general advertising and the offerees made representations that they were accredited investors. There were no underwriters or placement agents employed in connection with any of these transactions. Use of the exemption provided in Section 4(a)(2) for transactions not involving a public offering is based on the following facts:

- Neither we nor any person acting on our behalf solicited any offer to buy or sell securities by any form of general solicitation or advertising.
- The recipients were either accredited or otherwise sophisticated individuals who had such knowledge and experience in business matters that they were capable of evaluating the merits and risks of the prospective investment in our securities.
- The recipients had access to business and financial information concerning our company.
- All securities issued were issued with a restrictive legend and may only be disposed of pursuant to an effective registration or exemption from registration in compliance with federal and state securities laws.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following discussion and analysis of the results of operations and financial condition for the years ended December 31, 2018 and 2017 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. See "Forward-Looking Statements" at the beginning of this report.

Overview

Helix's mission is to provide clients with the most powerful and cutting-edge integrated operating environments in the market, helping them to better manage and mitigate risk while they focus on their core business. We accomplish these goals through a unique combination of business, logistics, risk-management, and investment skills, delivered through a proprietary software suite and partnership platform.

Our team is composed of former military, law enforcement, and technology professionals with deep experience in security and law enforcement, intelligence, technology design and development, partner relations, data aggregation, venture capital, private equity, risk-management, banking, and finance.

Technology is a cornerstone of Helix's service offering. Our technology platform allows clients to manage inventory and supply costs through Cannabase, as well as bespoke monitoring and transport solutions. We focus on utilizing technology as an operations multiplier, bringing in and managing unique partnerships across the tech spectrum to tailor and guarantee desired outcomes for our clients.

Within the cannabis industry, no other activity carries as much potential for unforeseen negative impact as a lapse in compliance operations. Helix brings a broad range of compliance services to firms in the cannabis industry, safeguarding their ability to operate while increasing their access to services that offer them a competitive edge.

We have greatly enhanced our core operations with the acquisitions of Security Grade, BioTrackTHC and Engeni. Security Grade is a market leader in th security profession and provides a broad range of services, from security consulting to installation of surveillance technology. Consistent with our team of professionals, Security Grade employs specialists with extensive experience and exposure to all areas of security related services. BioTrackTHC specializes i providing cannabis software services, ranging from monitoring of plant inventory to point-of-sale solutions. BioTrackTHC's software is used by 9 governmen entities and more than 2,000 commercial clients across 34 U.S. states and 6 countries. Engeni provides a turnkey and comprehensive digital presence solution for small businesses. The Engeni Growth solution includes an optimized web page, a fully-paid Google pay-per-click campaign, lead capture & lead delivery and ubiquitous directory/map listings. Engeni has also become the Company's offshore software development platform, and is currently working on the second generation of the BioTrackTHC software. These strategic acquisitions will help field the growing demand in the Legal Cannabis Industry.

Results of Operations for the Years Ended December 31, 2018 and 2017

Management believes that we will continue to incur losses for the immediate future. Therefore, we may either need additional equity or debt financing until we can achieve profitability and positive cash flows from operating activities, if ever. These conditions raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern. For the year ended December 31, 2018, we have generated revenue and are trying to achieve positive cash flows from operations.

The following table shows our results of operations for the years ended December 31, 2018 and 2017. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,		Change	
	2018	2017	Dollars	Percentage
Revenue	$ 9,563,573	$ 4,029,800	$ 5,533,773	137%
Cost of revenue	5,969,039	2,885,459	3,083,580	107%
Gross margin	3,594,534	1,144,341	2,450,193	214%
Operating expenses	13,759,855	4,927,623	8,832,232	179%
Loss from operations	(10,165,321)	(3,783,282)	(6,382,039)	169%
Other income (expense), net	1,983,741	(6,882,705)	8,866,446	-129%
Net loss	$ (8,181,580)	$ (10,665,987)	$ 2,484,407	-23%
Convertible preferred stock beneficial conversion feature accreted as a deemed dividend	(22,202,194)	(22,210,520)	8,326	-0.04%
Net loss attributable to common shareholders	$ (30,365,783)	$ (32,876,507)	$ 2,510,724	-8%

Revenue

Total revenue for the year ended December 31, 2018 was $9,563,573, which represented an increase of $5,533,773, or 137%, compared to total revenue of $4,029,800 for the year ended December 31, 2017. The increase primarily resulted from a substantial increase in the number of clients serviced by Helix and additional revenue resulting from the Security Grade and BioTrackTHC acquisitions.

Cost of Revenue

Cost of revenue for the years ended December 31, 2018 and 2017 primarily consisted of hourly compensation for security personal and employees involved in the creation and development of licensing software. Cost of revenue increased by $3,083,580, or 107%, for the year ended December 31, 2018, to $5,969,039, as compared to $2,885,459 for the year ended December 31, 2017. The increase primarily resulted from the acquisition of BioTrackTHC and a substantial increase in the number of clients serviced by Helix, which required the hiring of additional employees.

Operating Expenses

Our operating expenses encompass selling, general and administrative expenses, salaries and wages, professional and legal fees and depreciation and amortization. Selling, general and administrative expenses consist primarily of rent/moving expenses, advertising and travel expenses. Salaries and wages is composed of non-revenue generating employees. Professional services are principally comprised of outside legal, audit, information technology consulting, marketing and outsourcing services as well as the costs related to being a publicly traded company. Our operating expenses during the year ended December 31, 2018 and 2017 were $13,759,855 and $4,927,623, respectively. The overall $8,832,232 increase in operating expenses was primarily attributable to the following increases (decreases) in operating expenses of:

- General and administrative expenses – $1,472,427
- Salaries and wages – $4,897,782
- Professional and legal fees – ($147,144)
- Depreciation and amortization – $2,609,167

The $1,472,427 increase in general and administrative expenses is a result of increases in rent expense, advertising and travel expenses resulting from an expansion in our operations. The $4,897,782 increase in salaries and wages resulted from a significant increase in headcount, including BioTrackTHC and Engeni personnel. The $147,144 decrease in professional and legal fees primarily resulted from an increase in costs associated with obtaining capital resources during the year ended December 31, 2017. The $2,609,167 increase in depreciation and amortization was due to the amortization of intangible assets acquired in the BioTrackTHC and Engeni acquisitions.

Other Income (Expense), net

Other income (expense), net consisted of a gain on the change in fair value of obligation to issue warrants, gain on the change in the fair value of convertible notes, gain on the change in fair value of convertible notes – related party, loss on the change in fair value of contingent consideration, loss on impairment of goodwill, gain on reduction of obligation pursuant to acquisition, and interest income. Other income (expense), net during the year ended December 31, 2018 and 2017 was $1,983,741 and ($6,882,705), respectively. The $8,866,446 increase in other income (expense), net was primarily attributable to a gain on the change in fair value of convertible notes of $450,216, gain on change in fair value of obligation to issue warrants of $1,625,398, and no loss on induced conversion of convertible note or loss on extinguishment of debt for the year ended December 31, 2018.

Net Loss

For the foregoing reasons, we had a net loss of $8,181,580 for the year ended December 31, 2018, or $0.15 net loss per common share – basic and diluted, compared to net loss of $10,665,987 for the year ended December 31, 2017, or $0.37 net loss per common share – basic and diluted.

Convertible preferred stock beneficial conversion feature accreted as a deemed dividend

The convertible preferred stock beneficial conversion feature accreted as a deemed dividend resulted from the effective conversion price of the Series B preferred shares at issuance being less than the fair value of the common stock into which the preferred shares are convertible. The result was a non-cash charge in the amount of $22,202,194 for the year ended December 31, 2018 compared to $22,210,520 for the year ended December 31, 2017.

Net Loss Attributable to common shareholders

For the foregoing reasons, we had a net loss attributable to common shareholders of $30,365,783 for the year ended December 31, 2018, or $0.56 net loss per share attributable to common shareholders - basic and diluted, compared to net loss attributable to common shareholders of $32,876,507 for the year ended December 31, 2017, or $1.15 net loss per share attributable to common shareholders – basic and diluted.

Liquidity, Capital Resources and Cash Flows

Going Concern

Management believes that we will continue to incur losses for the immediate future. Therefore, we may either need additional equity or debt financing until we can achieve profitability and positive cash flows from operating activities, if ever. These conditions raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern. For the year ended December 31, 2018, we have generated revenue and are trying to achieve positive cash flows from operations.

As of December 31, 2018, we had a cash balance of $285,761, accounts receivable, net of $1,184,923 and $4,065,005 in current liabilities. At the current cash consumption rate, we may need to consider additional funding sources toward the end of Fiscal 2019. We are taking proactive measures to reduce operating expenses, drive growth in revenue and expeditiously resolve any remaining legal matters.

The successful outcome of future activities cannot be determined at this time and there is no assurance that, if achieved, we will have sufficient funds to execute our intended business plan or generate positive operating results.

The consolidated financial statements do not include any adjustments related to this uncertainty and as to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

Capital Resources

The following table summarizes total current assets, liabilities and working capital deficit for the periods indicated:

	For the Year Ended December 31,		
	2018	2017	Change
Current assets	$ 1,923,353	$ 1,519,714	$ 403,639
Current liabilities	4,065,005	4,808,995	(743,990)
Working capital (deficit)	$ (2,141,652)	$ (3,289,281)	$ 1,147,629

As of December 31, 2018 and 2017, we had a cash balance of $285,761 and $868,554, respectively.

Summary of Cash Flows

	For the Year Ended December 31,	
	2018	2017
Net cash used in operating activities	$ (4,006,063)	$ (1,690,075)
Net cash provided by (used in) investing activities	240,018	(1,708,663)
Net cash provided by financing activities	3,206,279	4,209,451

Net cash used in operating activities. Net cash used in operating activities for the year ended December 31, 2018 was $4,006,063. This included a net loss of $8,181,580, non-cash charge related to depreciation and amortization of $3,086,531, non-cash charge related to share-based compensation expense of $3,110,648, non-cash gains due to changes in fair value of convertible notes, obligation to issue warrants and convertible notes – related party of $450,216, $1,625,398, and $93,506, respectively, non-cash loss of $131,306 regarding the change in fair value of contingent consideration, non-cash loss on the impairment of goodwill of $664,329, non-cash gain on the reduction of obligation pursuant to acquisition of $607,415 and changes in accounts receivable, prepaid expenses and other current assets, deposits and other assets, accounts payable and accrued expenses, costs & earning in excess of billings, billings in excess of costs, due from related party and deferred rent of $(40,762). Net cash used in operating activities for the year ended December 31, 2017 was $1,690,075. This included a net loss of $10,665,987, non-cash charge related to depreciation and amortization of $477,364, non-cash charge related to amortization of debt discounts of $254,533, non-cash loss of $712,393 regarding the change in fair value of convertible notes, non-cash gain of $31,068 regarding the fair value of convertible notes – related party, non-cash loss on beneficial conversion feature of $390,666, non-cash loss on extinguishment of debt of $4,611,395, non-cash loss on induced conversion of convertible note of $1,503,876, non-cash loss on the change in fair value of warrants to be issued of $590,436 and changes in accounts receivable, deposits and other assets, accounts payable and accrued expenses, costs & earnings in excess of billings, billings in excess of costs and deferred rent of $466,317.

Net cash provided by (used in) investing activities. Net cash provided by investing activities for the year ended December 31, 2018 was $240,018, which consisted of capital expenditures of $155,559, cash acquired pursuant to the BioTrackTHC and Engeni acquisitions of $454,306, and cash payments pursuant to the Revolutionary asset acquisition $58,729. Net cash used in investing activities for the year ended December 31, 2017 was $1,708,663, which consisted of capital expenditures of $30,478, cash payments pursuant to the Security Grade business combination of $1,631,313 and cash payments pursuant to the Revolutionary asset acquisition of $46,872.

Net cash provided by financing activities. Net cash provided by financing activities for the year ended December 31, 2018 was $3,206,279, which resulted from proceeds from the issuance of notes payable of $39,723, proceeds of $250,000 from the issuance of promissory notes, proceeds from the issuance of common stock of $3,555,223, payments pursuant to convertible notes payable – related party of $150,000, payments pursuant to notes payable of $27,836, payments pursuant to contingent consideration of $131,331, advances from related parties of $79,500, and payments pursuant to a promissory note of $250,000. Net cash provided by financing activities for the year ended December 31, 2017 was $4,209,451, which resulted from proceeds from the issuance of convertible notes payable of $229,167, proceeds of $255,000 from the issuance of promissory notes and advances from shareholders of $83,250, proceeds from the issuance of common stock of $100,000, proceeds from the issuance of Series B convertible preferred stock of $3,577,500, payments pursuant to advances from related parties of $32,000 and payments pursuant to notes payable of $3,466.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP, and our discussion and analysis of its financial condition and operating results require our management to make judgments, assumptions and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. Note 4, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of our consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates and such differences may be material.

Management believes our critical accounting policies and estimates are those related to accounts receivable and allowance for doubtful accounts, intangibles, accounting for acquisitions, revenue recognition, income taxes, distinguishing liabilities from equity and share-based compensation.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information, and determines the allowance for doubtful accounts based on historical write-off experience, customer specific facts and economic conditions.

Management charges balances off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company determines when receivables are past due or delinquent based on how recently payments have been received.

Outstanding account balances are reviewed individually for collectability. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Allowance for doubtful accounts was $76,156 and $3,000 at December 31, 2018 and 2017, respectively.

Accounting for Acquisitions

In accordance with the guidance for business combinations, the Company determines whether a transaction or other event is a business combination, which requires that the assets acquired and liabilities assumed constitute a business. Each business combination is then accounted for by applying the acquisition method. If the assets acquired are not a business, the Company accounts for the transaction or other event as an asset acquisition. Under both methods, the Company recognizes the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity. In addition, for transactions that are business combinations, the Company evaluates the existence of goodwill or a gain from a bargain purchase. The Company capitalizes acquisition-related costs and fees associated with asset acquisitions and immediately expense acquisition-related costs and fees associated with business combinations.

Revenue Recognition

Under FASB Topic 606, *Revenue from Contacts with Customers* ("ASC 606"), the Company recognizes revenue when the customer obtains control of promised goods or services, in an amount that reflects the consideration which is expected to be received in exchange for those goods or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenues when (or as) the Company satisfies a performance obligation.

The security services revenue is generated from performing armed and unarmed guarding which is contracted for on an hourly basis. Revenues associated with these contracted services are recognized under time-based arrangements as services are provided.

Additionally, the Company provides transportation security services, which are generally contracted for on a per-run basis and sometimes additional fees and surcharges are also billed to the client depending on the length of the run. Revenues associated with these services are recognized as the transportation service is provided.

The Company also generates revenue from developing and licensing seed to sale cannabis compliance software to both private-sector and public-sector (government agencies) businesses that are involved in cannabis related operations. The Company also generates revenue from on-going training, support and software customization services.

Occasionally, the Company will enter into systems installation arrangements. Installation jobs are estimated based on the cost of equipment to be installed, the number of hours expected to be incurred to complete the job and other ancillary costs. Revenue associated with these services are recognized over the arrangement period.

Lastly, the Company generates advertising revenues from consumer advertising on its Cannabase platform. Revenue is recognized over the contract period associated with each specific advertising campaign.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating loss for financial-reporting and tax-reporting purposes. Accordingly, for Federal and state income tax purposes, the benefit for income taxes has been offset entirely by a valuation allowance against the related federal and state deferred tax asset for the years ended December 31, 2018 and 2017.

Distinguishing Liabilities from Equity

The Company relies on the guidance provided by ASC Topic 480, *Distinguishing Liabilities from Equity*, to classify certain redeemable and/or convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records its financial instruments classified as liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement - Financial instruments classified as liabilities

The Company records the fair value of its financial instruments classified as liabilities at each subsequent measurement date. The changes in fair value of its financial instruments classified as liabilities are recorded as other expense/income.

Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of ASC Topic 718,*Stock Based Compensation*. Stock-based compensation to employees consist of stock options grants and restricted shares that are recognized in the statement of operations based on their fair values at the date of grant.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASC Topic 505, subtopic 50,*Equity-Based Payments to Non-Employees* based upon the fair-value of the underlying instrument. The equity instruments, are valued using the Black-Scholes valuation model. The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period which services are received.

The Company calculates the fair value of option grants utilizing the Black-Scholes pricing model and estimates the fair value of the stock based upon the estimated fair value of the common stock. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight- line basis over the requisite service period of the award.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09,*"Revenue from Contracts with Customers" ("ASU 2014-09").*The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. In April and May 2016, the FASB issued ASU 2016-10,*"Revenue from Contracts with Customers – Identifying Performance Obligations and Licensing"*, ASU 2016-11, *"Revenue Recognition and Derivatives and Hedging – Recession of SEC Guidance"*ASU 2016-12, *"Revenue from Contracts with Customers – Narrow-Scope Improvements and Practical Expedients"*,and ASU 2016-20, *"Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers".* These ASUs each affect the guidance of the new revenue recognition standard in ASU 2014-09 and related subsequent ASUs. The new guidance is effective for annual reporting periods (including interim periods within those periods beginning after December 15, 2017 for public companies.

On January 1, 2018, we adopted the new accounting standard ASC 606 *"Revenue from Contracts with Customers* and all the related amendments" ("ASC 606") to all contracts which were not completed or expired as of January 1, 2018 using the modified retrospective method. The Company had no cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while the comparative information will continue to be reported under the accounting standards in effect for those periods.

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; ASU No. 2018-11, Targeted Improvements; and ASU No. 2018-20, Narrow-Scope Improvements for Lessors. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Company on January 1, 2019, with early adoption permitted. A modified retrospective transition approach is required applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We expect to adopt the new standard on January 1, 2019 and use the effective date as our date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides several optional practical expedients in transition. We expect to elect the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We do not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us.

The new standard also provides practical expedients for an entity's ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. We do not currently expect to elect the practical expedient to not separate lease and non-lease components for any of our leases.

We expect that this standard will have a material effect on our financial statements. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our balance sheet for our office and equipment operating leases; and providing significant new disclosures about our leasing activities. We do not expect a significant change in our leasing activities between now and adoption.

On adoption, we currently expect to recognize additional operating liabilities of approximately $393,000, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

In January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805) Clarifying the Definition of a Business.* The amendments in this Update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted this standard on January 1, 2018.

In January 2017, the FASB issued ASU No. 2017-04 *Intangibles – Goodwill and Other (Topic 350); Simplifying the Test for Goodwill Impairment.* The amendments in this update simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for public companies for the reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has elected to early adopt the provisions of ASU 2017-04 and, at March 31, 2018, goodwill was tested for potential impairment. As a result of the goodwill impairment test performed, it was determined that the carrying value for each reporting unit was higher than its fair value. Please refer to Note 9 for further detail.

In May 2017, the FASB issued ASU No 2017-09 "*Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*" (ASU 2017-09). ASU 2017-09 provides clarity and reduces both (i) diversity in practice and (ii) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all three of the following are met: (1) The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. Note that the current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-09. ASU 2017-09 is effective for all annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The updated standard was adopted by the Company on January 1, 2018. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share* (Topic 260), *Distinguishing Liabilities from Equity* (Topic 480) and *Derivatives and Hedging* (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220); Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the ASU. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees and applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. ASC 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. This update is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of ASC 606. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (ASC 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes certain disclosures, modifies certain disclosures and adds additional disclosures. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and shareholders' equity (deficit) and cash flows for each of the two years in the years ended December 31, 2018 and 2017, together with the related notes and the report of our independent registered public accounting firm, are set forth on pages F-1 to F-41 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer (who is our Principal Financial Officer), to allow timely decisions regarding required disclosures. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control problems or acts of fraud, if any, within the Company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2018, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018, the end of the annual period covered by this report established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The evaluation of our disclosure controls and procedures included a review of the disclosure controls' and procedures' objectives, design, implementation and the effect of the controls and procedures on the information generated for use in this report.

In the course of our evaluation, we sought to identify errors, control problems or acts of fraud and to confirm the appropriate corrective actions, including process improvements, were being undertaken. Based on that evaluation, management has concluded that the Company did not maintain effective internal control over financial reporting as of the fiscal year ended December 31, 2018 due to the existence of material weaknesses in the internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that we did not maintain effective internal controls over financial reporting as of the fiscal year ended December 31, 2018 due to the existence of the following material weaknesses identified by management:

- The Company did not maintain effective controls over certain aspects of the financial reporting process because we lacked personnel with accounting expertise and an adequate supervisory review structure that is commensurate with our financial reporting requirements.

- Inadequate segregation of duties.

We expect to be materially dependent on a third party that can provide us with accounting consulting services for the foreseeable future. We believe that we are in the process of addressing the deficiencies that affected our internal control over financial reporting and we are developing specific action plans for each of the above material weaknesses. Because the remedial actions require hiring of additional personnel, upgrading certain of our information technology systems and relying extensively on manual review and approval, the successful operation of these controls for at least several quarters may be required before management may be able to conclude that the material weaknesses have been remediated. We intend to continue to evaluate and strengthen our internal control over financial reporting. These efforts require significant time and resources. If we are unable to establish adequate internal control over financial reporting, we may encounter difficulties in the audit or review of our financial statements by our independent registered public accounting firm, which in turn may have a material adverse effect on our ability to prepare financial statements in accordance with GAAP and to comply with our SEC reporting obligations.

Changes in internal control over financial reporting

During the year ended December 31, 2018, there was no change in our internal control over financial reporting or in other factors that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation report of Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting because we are a "smaller reporting company." Our management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Our directors and executive officers and their respective ages, positions, and biographical information as of March 29, 2019 are set forth below.

Name	Position	Age
Zachary Venegas	Chief Executive Officer and Director	48
Scott Ogur	Chief Financial Officer and Director	47
Paul Hodges	Director	64
Patrick Vo	Chief Executive Officer, BioTrackTHC and Director	36
Terence J. Ferraro	Chief Software Architect, BioTrackTHC and Director	36
Andrew Schweibold	Director	36
Satyavrat Joshi	Director	35

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until they are removed from office in accordance with our bylaws. Our officers are appointed by our Board and hold office until removed by the Board. All officers and directors listed above wil remain in office until the next annual meeting of our stockholders, and until their successors have been duly elected and qualified. There are no written agreements with respect to the election of directors. Our Board appoints officers annually and each executive officer serves at the discretion of our Board.

Zachary Venegas, Chief Executive Officer and Director

Mr. Venegas has been the Chief Executive Officer and a director of the Company since its inception. Before joining Helix, he was a managing director a Spruce Investment Advisors, LLC for nearly two years, where he managed a private equity portfolio with a net asset value of $500 million. In 2014, Mr Venegas co-founded and became managing partner of Scimitar Global Ventures, a Dubai-based private equity and venture firm focused on Europe, Africa and the Middle East. During his nine years at Scimitar, Mr. Venegas led the firm's activities in deal origination, negotiations, capital raising and macroeconomic and geopolitical analysis, leading investments across four continents and multiple industries. He represented Scimitar in numerous media appearances, including Bloomberg Television, CNBC and Barron's.

In addition, Mr. Venegas was the founder and chief executive officer of Omega Strategic Services Group LLC, a dynamic corporate/competitive intelligenc and security advisory firm with operations in the Middle East and Africa that supported investors and corporations in creating successful operating environments and helping them to succeed by providing them with distinct, actionable intelligence and real-time data analytics. Earlier in his career, he worked at J.P. Morgan Private Bank in Geneva, Switzerland focused on the Middle East, and went on to lead the bank's Bahrain office before leaving to foun Scimitar.

Mr. Venegas received his M.B.A. in Finance and International Business from New York University's Stern School of Business and a B.S. in Classical Arab and Portuguese Languages from the United States Military Academy, West Point. Prior to his business career, he served with distinction in the U.S. Army a an Infantry officer. Born in Brooklyn, New York, he has lived in Switzerland, England, France, Brazil, Egypt, Jordan, Bahrain, the UAE, Saudi Arabia, Ghar DR Congo, South Africa, Singapore, and Thailand and has operated in over 70 countries throughout the Middle East, Asia, Europe and Africa. Mr. Venega speaks Arabic, French, Portuguese, Romanian and Spanish and has a conversational command of Afrikaans and Swahili.

We believe Mr. Venegas brings to our Board of Directors valuable perspective and experience as our Chief Executive Officer and as a large stockholder, as well as knowledge of the industry and experience managing and directing companies through various stages of development, all of which qualify him to serve as one of our directors.

Scott Ogur, Chief Financial Officer and Director

Mr. Ogur, CFA, has been a Director of the Company since May 2017 and our Chief Financial Officer since January 2018. Mr. Ogur has over 20 years o financial services experience. From 2014 to 2017, Mr. Ogur was chief financial officer and managing director of Spruce Investment Advisors, LLC. From 2012 to 2014, he was chief financial officer of Beacon Mortgage Corp. Prior to that, Mr. Ogur was chief financial officer of Algorithmic Trading Management LLC, chief investment officer of Scimitar Global Ventures, and portfolio manager for J.P. Morgan. He currently serves on the board of directors o MetricStream, a governance, risk, and compliance software company, as well as Independent Diplomat, a not-for-profit diplomatic advisory group of which he is also treasurer. Mr. Ogur holds a B.S. in Business Administration, Accounting from Bucknell University and an M.B.A. from New York University's Ster School of Business. Mr. Ogur is a CFA Charterholder.

We believe Mr. Ogur's financial and accounting experience, perspective as a large stockholder and his knowledge of our operations, bring to our Board of Directors important skills and qualify him to serve as one of our directors.

Paul Hodges, Director

Mr. Hodges has been a Director and Senior Advisor of the Company since 2016. He currently serves as principal, president and chief executive officer o Yottabyte, LLC, a software-defined storage company. Mr. Hodges has a 20-year track record as a successful entrepreneur. Most recently, he served as a principal of Netarx, Inc., a network integration and services organization, which he helped grow substantially during his tenure. Earlier, Mr. Hodges co-founded and was chief executive officer of Codespear, LLC, a developer of broadcast alert and interoperable communications software, now part of Federal Signa Corporation. In 2007, he was a founder of First Michigan Bancorp, Inc. (renamed Talmer Bancorp, Inc. and acquired by Chemical Financial Corporatio (NASDAQ: CHFC) in 2016) and a director until 2018. Other companies he has founded include Bloomfield Computer Systems, Inc., later purchased Datatec Ltd., an international IT and managed services provider, and the marketing and advertising agencies ePrize, Inc. and Alteris Group, LLC. Mr. Hodge was appointed by the Governor of Michigan to serve as a director of the Michigan Strategic Fund from 2007 through 2012. Mr. Hodges studied compute engineering at Lawrence Technological University.

We believe Mr. Hodges' experience as an entrepreneur and directing companies through various stages of development, bring to our Board of Directors important skills related to strategic planning and qualify him to serve as one of our directors.

Patrick Vo, Chief Executive Officer, BioTrackTHC and Director

Patrick Vo's leadership was a driving force in growing BioTrackTHC from fewer than 20 customer locations in 2012 to its present market leading position with nine government contracts and over 2,000 customer locations across 34 U.S. states and 6 countries. A thought leader with experience deeply rooted in bringing new cannabis programs online, Mr. Vo personally oversaw the launch of three of the first four government cannabis tracking systems deployed in the United States. Mr. Vo took over as Chief Executive Officer of BioTrackTHC in 2015 and continues to lead its evolution as lawful cannabis progresses fron frontier market to a global industry. Prior to joining BioTrackTHC, Mr. Vo held roles at Robert Half International, the Greater Phoenix Economic Council, ar he began his career at PricewaterhouseCoopers. Mr. Vo holds a Masters in Business from Indiana University's Kelley School of Business, and both Masters and Bachelors degree in Accounting from the University of Arizona's Eller College of Management.

We believe Mr. Vo's experience in the cannabis industry and knowledge of our operations bring to our Board of Directors important skills and qualify him to serve as one of our directors.

Terence J. Ferraro, Chief Software Architect, BioTrackTHC and Director

Terence "TJ" Ferraro began his professional career assisting local authorities to combat opioid diversion by creating a biometric-based tracking software that eventually drew the interest of cannabis operators, resulting in the creation of BioTrackTHC in 2010. As a self-taught programmer and technology inventor Mr. Ferraro is considered one of the most experienced and effective traceability and seed-to-sale developers in the world, maintaining BioTrackTHC's flawless track record in IT security and launching the world's only private-sector traceability system within a 24-hour timeframe. As BioTrackTHC's Chief Software Architect, he demonstrates unparalleled experience in government cannabis programs as it relates to technology infrastructure and launch timelines, being the only cannabis traceability company to never miss a deployment deadline. Mr. Ferraro and his innovative technology solutions are responsible for creating the most effective and transparent cannabis tracking programs in the world. His goal remains focused on establishing safety, accountability, and effective cannabis traceability infrastructure, throughout the US and internationally.

We believe Mr. Ferraro's experience in the cannabis industry and deep programming knowledge bring to our Board of Directors important skills and qualify him to serve as one of our directors.

Andrew Schweibold, Director

Andrew is the Co-Founder and Managing Partner of Rose Capital. Andrew has 12 years of institutional investment and financial advisory experience, having invested, monitored and/or managed more than $800 million of capital in investments. Prior to forming Rose Capital, Andrew was a Co-Founder, Partner, and one of two Investment Committee members of Delos Capital, a middle market private equity firm. In 2016, Andrew was awarded the M&A Advisor 40 Under 40 Emerging Leaders Award for his efforts as Co-Founder and Partner of Delos at the age of 33. Prior to co-founding Delos, Andrew was a Principal of the Americas business for Vision Capital, worked at Apollo Management, GTCR Golder Rauner as well as Lazard. Andrew has a BBA from the Stephen M Ross School of Business at the University of Michigan with a concentration in finance and accounting.

We believe Mr. Schweibold's extensive financial services experience and degree in finance and accounting bring to our Board of Directors important skills and qualify him to serve as one of our directors.

Satyavrat Joshi, Director

Satyavrat "Sat" Joshi is the Chief Investment Officer of Rose Capital. Over the last 13 years, Sat has deployed and/or managed in excess of $1 billion of capital into both public securities and private investments across the capital structure. Prior to joining Rose Capital in 2018, Sat held senior investment roles at Hillhouse Capital, Incline Global Management and Ziff Brothers Investments. At Hillhouse Capital, Sat was a member of the Global Financials team, where he spent the majority of his time on private equity opportunities in the financial technology sector. During Sat's tenure, Incline Global Management saw its assets under management triple and was named as one of Barron's "Best 100 Hedge Funds." Earlier in his career, Sat was an Associate at Apollo Management where he focused on lower middle market private investments as well as public debt and equity investments. Sat began his career at Lazard, where he was a member of its New York-based Restructuring Group. Sat has a B.S. in Commerce from the McIntire School of Commerce at the University of Virginia with concentrations in finance and management.

We believe Mr. Joshi's extensive financial services experience and degree in finance and management bring to our Board of Directors important skills and qualify him to serve as one of our directors.

Committees of our Board of Directors

Our securities are not quoted on an exchange that has requirements that a majority of our directors be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our Board of Directors include "independent" directors, nor are we required to establish or maintain an audit committee or other committee of our Board. Our Board does not expect this structure to adversely affect its ability to act independently and satisfy its other requirements.

Our Board of Directors has not established an audit committee and does not have an audit committee financial expert due to our limited size. Since we do not have an audit committee comprised of independent directors, the functions that would have been performed by the audit committee are performed by our directors.

Our Board of Directors also does not have standing compensation or nominating committees. Our Board does not believe a compensation or nominating committee is necessary based on the size of our Company and the current levels of compensation to corporate officers. Our Board will consider establishing compensation and nominating committees at the appropriate time.

Our entire Board of Directors participates in the consideration of compensation issues and of director nominees. Candidates for director nominees are reviewed in the context of the current composition of our Board and the Company's operating requirements and the long-term interests of its stockholders. In conducting this assessment, our Board considers skills, diversity, age, and such other factors as it deems appropriate given the current needs of our Board and the Company, to maintain a balance of knowledge, experience and capability.

Our Board's process for identifying and evaluating nominees for director, including nominees recommended by stockholders, will involve compiling names of potentially eligible candidates, conducting background and reference checks, conducting interviews with the candidate and others (as schedules permit), meeting to consider and approve the final candidates and, as appropriate, preparing an analysis with regard to particular recommended candidates.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own 10% or more of a class of securities registered under Section 12 of the Exchange Act to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Directors, executive officers and greater than 10% stockholders are required by the rules and regulations of the SEC to furnish the Company with copies of all reports filed by them in compliance with Section 16(a).

Based solely on our review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, the reports required to be filed with respect to transactions in our Common Stock during the fiscal year ended December 31, 2018, were timely.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. We will provide a copy of our Code of Business Conduct and Ethics, without charge, to any person desiring a copy, by written request to our company at 10200 E. Girard Avenue, Suite B420, CO 80231, Attention: Corporate Secretary.

Legal Proceedings

No director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it during the past ten years. No director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding during the past ten years. No director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities during the past ten years. No director or officer has been found by a court to have violated a federal or state securities or commodities law during the past ten years.

ITEM 11. EXECUTIVE COMPENSATION.

EXECUTIVE COMPENSATION

The following table sets forth certain information about compensation paid, earned or accrued for services of our named executive officers for the past two fiscal years.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Base Salary ($)	All Other Compensation ($)	Total ($)
Zachary Venegas	2018	200,000	629,200	829,200
President /CEO, Director	2017	200,000	-	200,000
Scott Ogur	2018	135,000	-	135,000
CFO, Director	2017	N/A	N/A	N/A
Patrick Vo (1)	2018	102,000	-	102,000
CEO, BioTrackTHC		N/A	N/A	N/A
Terence J. Ferraro (1)	2018	102,000	-	102,000
Chief Software Architect, BioTrackTHC		N/A	N/A	N/A

(1) Reflects compensation for the period from June 1, 2018 to December 31, 2018.

On March 15, 2018 we awarded Zachary Venegas two options to purchase a total of 490,000 shares of the Company's common stock. We made no other individual grants of restricted stock or stock options to, and there were no stock options exercised by, our named executive officers for the period from October 25, 2015 (inception) through December 31, 2018. We have employment agreements in place with Patrick Vo and Terence Ferraro. On March 19, 2019, the Company entered into employment agreements with Zachary Venegas and Scott Ogur. The employment agreements provide for compensation in certain events of termination.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Stock Underlying Option	Option Exercise Price	Option Expiration Date
Zachary Venegas	40,000 shares of common stock	$ 2.090*	3/28/2023
Zachary Venegas	450,000 shares of common stock	$ 1.900	3/28/2028

* Represents 110% of the fair market value of the Company's common stock on the day of issuance.

DIRECTOR COMPENSATION

There was no compensation awarded to, earned by, or paid to the members of our Board of Directors by us during the years ended December 31, 2018 and 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of March 29, 2019 by (a) each stockholder who is known to us to own beneficially 5% or more of our outstanding Common Stock; (b) all directors; (c) our executive officers, and (d) all executive officers and directors as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of Common Stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of Common Stock.

For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of Common Stock that such person has the right to acquire within 60 days of March 29, 2019. For purposes of computing the percentage of outstanding shares of our Common Stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within 60 days of March 29, 2019 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership. Unless otherwise identified, the address of our directors and officers is c/o Helix TCS, Inc., 10200 E. Girard Avenue, Suite B420, Denver, CO 80231

The following table assumes 74,223,865 shares are outstanding as of March 29, 2019.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Ownership of Common Stock Beneficially Owned	Number of Shares of Series A Preferred Stock Beneficially Owned	Percentage Ownership of Series A Preferred Stock	Number of Shares of Series B Preferred Stock Beneficially Owned	Percentage Ownership of Series B Preferred Stock	Total Percentage of Voting Power
5% Beneficial Shareholders							
RSF4, LLC (1) (4) (5)	13,233,994	17.8%	-	0.0%	13,784,201	100.0%	30.4%
Helix Opportunities, LLC (2)	22,411,000	30.2%	1,000,000	100.0%	-	0.0%	26.3%
RSF5, LLC (4)	13,233,994	17.8%			13,784,201	100.0%	30.4%
Nightstone Unlimited, Inc.	8,740,815	11.8%	-	0.0%	-	0.0%	9.8%
Minds Eye Trust	7,525,903	10.1%	-	0.0%	-	0.0%	8.5%
Brian McClintock	4,618,207	6.2%	-	0.0%	-	0.0%	5.2%
Officers and Directors							
Zachary Venegas (2) (6)	22,901,000	30.9%	1,000,000	100.0%	-	0.0%	26.9%
Scott Ogur (2)	22,411,000	30.2%	1,000,000	100.0%	-	0.0%	26.3%
Andrew Schweibold (7)	13,233,994	17.8%	-	0.0%	13,784,201	100.0%	30.4%
Terence J. Ferraro	8,740,815	11.8%	-	0.0%	-	0.0%	9.8%
Patrick Vo	1,320,539	1.8%	-	0.0%	-	0.0%	1.5%
Paul Hodges (3)	975,000	1.3%	-	0.0%	-	0.0%	1.1%
Officers and Directors as a Group (6 persons)	47,171,348	63.6%	1,000,000	100.0%	13,784,201	100.0%	69.6%

(1) RSF4, LLC, a Delaware limited liability company, is solely managed by Rose Capital Fund I GP, LLC, a Delaware limited liability company ("Rose GP"). Rose GP has the sole power to vote or sell the shares of our Series B Preferred Stock held by RSF4, LLC. Rose GP is owned 50% by Andrew Schweibold and 50% by Jonathan Rosenthal. As a result of the foregoing, Rose GP, Schweibold and Rosenthal may be deemed to be beneficial owners of the shares of our Series B Preferred Stock held by RSF4, LLC.

(2) Messrs. Venegas and Ogur each own 50% of Helix Opportunities, LLC.

(3) Consists of (i) 960,000 shares of Common Stock and (ii) 15,000 shares of Common Stock issued on February 26, 2018 in conjunction with the amendment of a note payable.

(4) Consists of (i) 3,394,442 shares of Common Stock and (ii) 9,839,552 shares of Common Stock beneficially owned by RSF4, LLC and RSF5, LLC.

(5) Consists of 13,784,201 shares of Series B Preferred Stock beneficially owned by RSF4, LLC and RSF5, LLC.

(6) Consists of (i) his beneficial ownership in Helix Opportunities, LLC and (ii) options to purchase up to 490,000 shares of Helix Common Stock.

(5) Messrs. Schweibold owns 50% of Rose GP.

Equity Compensation Plan Information Table

The following table sets forth the indicated information as of December 31, 2018 with respect to our equity compensation plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders			
Helix TCS, Inc. 2017 Omnibus Stock Plan	490,000	$ 1.92	3,995,055
Bio-Tech Medical Software, Inc. 2014 Stock Incentive Plan	393,492(1)	$ 0.72	206,508

(1) Upon exercise of these options, the shares will convert into 3,841,492 shares of the Company's common stock.

Our only equity compensation plans are the Helix TCS, Inc. 2017 Omnibus Stock Plan and Bio-Tech Medical Software, Inc. 2014 Stock Incentive Plan, whi were approved by our stockholders. We do not have any equity compensation plans or arrangements that have not been approved by our stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Zachary L. Venegas, our Chief Executive Officer, director and Scott Ogur, Chief Financial Officer, director each own 50% of Helix Opportunities LLC.

Advances from Related Parties

The Company has a loan outstanding from a former Company executive. The advance does not accrue interest and has no definite repayment terms. The loa balance was $45,250 and $124,750 as of December 31, 2018 and 2017, respectively.

Convertible Note Payable

On March 11, 2016, the Company entered into an Unsecured Convertible Promissory Note ("Note Eight") with Paul Hodges, a Director of the Company (t "Related Party Holder"). The Related Party Holder provided the Company with $150,000 in cash, and the Company promised to pay the principal amou together with interest at an annual rate of 7%, with principal and accrued interest on Note Eight due and payable on December 31, 2017 (unless converte under terms and provisions as set forth below). The principal balance of Note Eight was convertible at the election of the Related Party Holder, in whole or i part, at any time or from time to time, into the Company's common stock at a forty percent (40%) discount to the average market closing price for the previous five (5) trading days, preceding the date of conversion election. The Company evaluated Note Eight in accordance with ASC 480*Distinguishing Liabilities from Equity* and determined that Note Eight will be accounted for as a liability initially measured at fair value and subsequently at fair value with changes i fair value recognized in earnings.

On February 20, 2018, the Company entered into an agreement to amend Note Eight with Paul Hodges. As of December 31, 2018, Note Eight was paid in fu See Note 13, *Related Party Transactions* for further detail surrounding the transaction.

Warrants

In March 2016, the Company issued 960,000 shares of restricted common stock to the Related Party Holder (Mr. Hodges) per a subscription agreement fo total proceeds of $150,000. In conjunction with the subscription agreement, the Company issued a warrant to the Related Party Holder to purchase 1,920,00 restricted shares of the Company's common stock at $0.16 per share. The Warrant Exercise Date is the later of the following to occur (i) March 9, 2017, (ii) ten (10) days after the Company's notice to the holder of the warrant that the Company shall have an effective S-1 registration with the SEC; or (iii) ten (10 days after Company's notice to the holder of the warrants that the Company has entered into an agreement for the sale of substantially all the assets or Common Stock of the Company.

Director Independence

Our securities are not quoted on an exchange that has requirements that a majority of our directors be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our Board of Directors include "independent" directors, nor are we required to establish or maintain an audit committee or other committee of our Board. Our Board does not expect this structure to adversely affect its ability to act independently and satisfy its other requirements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth all fees paid or accrued by the Company for the audit and other services provided by the Company's public accounting firm for the years ended December 31, 2018 and 2017:

Services	2018	2017
Audit Fees	$ 142,843	$ 86,280
Audit-Related Services	-	-
Tax Fees	-	-
Total Fees	$ 142,843	$ 86,280

Audit Fees - This category includes the audit of our annual financial statements, review of financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees - This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC and other accounting consulting.

Tax Fees - This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

Our Board of Directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the Board, or, in the period between meetings, by a designated member of Board. Any such approval by the designated member is disclosed to the entire Board at the next meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements.

Our consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and shareholders' equity (deficit) and cash flows for each of the two years in the years ended December 31, 2018 and 2017, together with the related notes and the report of our independent registered public accounting firm, are set forth on pages F-1 to F-41 of this report.

(b) Exhibits.

Exhibit Number	Description	Filing	Filing Exhibit	Filing Date
2.1	Reorganization Agreement dated as of December 21, 2015 by and between Helix Opportunities, LLC and its members and Helix TCS, Inc.	10-12G	2.1	12/09/16
2.2	Agreement and Plan of Merger by and among Helix TCS, Inc., Helix Acquisition Sub, Inc., Bio-Tech Medical Software, Inc. and Terence J. Ferraro, as the Securityholder Representative, dated March 3, 2018.	8-K	2.1	06/05/18
3.1	Certificate of Incorporation of Jubilee4 Gold, Inc.	10-12G	3.i.1	12/09/16
3.1.2	Certificate of Amendment of Certificate of Incorporation of Helix TCS, Inc.	10-12G	3.i.2	12/09/16
3.1.3	Certificate of Amendment of Certificate of Incorporation of Helix TCS, Inc. – Certificate of Designation of Rights and Privileges of Class A Preferred Convertible Super Majority Voting Stock.	10-12G	3.i.3	12/09/16
3.1.4	Certificate of Designations, Preferences and Rights of Series B Preferred Stock, $.001 Par Value Per Share.	8-K	3.1	05/19/17
3.1.5	Amendment No. 1 to Certificate of Designations, Preferences and Rights of Series B Preferred Stock, $0.001 Par Value Per Share.	8-K	3.1	8/30/17
3.1.6	Amended and Restated Certificate of Designations, Preferences and Rights of Class A Preferred Convertible Super Majority Voting Stock, $.001 Par Value Per Share	8-K	3.1	9/21/17
3.1.7	Amendment No. 2 to Certificate of Designations, Preferences and Rights of Series B Preferred Stock, $0.001 Par Value Per Share	8-K	3.1	12/20/17
3.2	Bylaws of Jubilee4 Gold, Inc.	10-12G	3(ii).1	12/09/16
4.1	Form of Registration Rights Agreement dated as of February 13, 2017 by and between Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K/A	10.4	02/24/17
4.2	Form of Warrant for the purchase of 25,000 shares of common stock of Helix TCS, Inc. issued February 13, 2017.	8-K/A	10.8	02/24/17
4.3	Form of Warrant for the purchase of 150,000 shares of common stock of Helix TCS, Inc. issued April 26, 2017.	8-K	10.2	05/01/17
4.4	Form of Registration Rights Agreement, dated March 1, 2019, by and between Helix TCS, Inc. and Diamond Rock, LLC.			Filed herewith

Exhibit Number	Description	Filing	Filing Exhibit	Filing Date
10.1	Asset Purchase Agreement dated as of April 11, 2016 by Revolutionary Software, LLC and Helix TCS, Inc.	10-12G	10.1	12/09/16
10.2	Form of Convertible Promissory Note.	10-12G	4.1	12/09/16
10.3	Form of Unsecured Promissory Note.	8-K	10.1	02/16/17
10.4	Form of Investment Agreement dated as of February 13, 2017 by and between Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K/A	10.6	02/24/17
10.5	Form of Subsidiary Guarantee dated as of February 13, 2017 by each of the signatories thereto.	8-K/A	10.7	02/24/17
10.6	Form of Security Agreement dated as of February 13, 2017 among Helix TCS, Inc., all of the Subsidiaries of Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K/A	10.9	02/24/17
10.7	Form of Securities Purchase Agreement dated as of February 13, 2017 by and between Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K/A	10.10	02/24/17
10.7.1	Annexes III and IV to the Securities Purchase Agreement.	8-K/A	10.2	02/24/17
10.8	Form of 10% Fixed Secured Convertible Promissory Note dated February 13, 2017 for $183,333.33 payable to RedDiamond Partners, LLC.	8-K/A	10.1	02/24/17
10.8.1	Amendment to 10% Fixed Secured Convertible Promissory Note dated February 13, 2017 for $183,333.33 payable to RedDiamond Partners, LLC, dated November 16, 2017.	10-K	10.8.1	03/28/2018
10.9	Form of 10% Fixed Secured Convertible Promissory Note dated February 13, 2017 for $25,0000 payable to RedDiamond Partners, LLC.	8-K/A	10.3	02/24/17
10.9.1	Amendment to 10% Fixed Secured Convertible Promissory Note dated February 13, 2017 for $25,000 payable to RedDiamond Partners, LLC, dated November 16, 2017.	10-K	10.9.1	03/28/2018
10.10	Form of Term Sheet and Summary of the Offering and Subscription Agreement for shares of common stock of Helix TCS, Inc.	10-K	10.13	04/17/17
10.11	Form of Term Sheet and Summary of the Offering and Subscription Agreement and Representations for Unsecured Convertible Promissory Note.	10-K	10.14	04/17/17
10.12	Form of Securities Purchase Agreement dated as of April 26, 2017 by and between Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K	10.1	05/01/17
10.13	Form of Security Agreement dated as of April 26, 2017 among Helix TCS, Inc., all of the Subsidiaries of Helix TCS, Inc. and RedDiamond Partners, LLC.	8-K	10.3	05/01/17
10.14	Form of Subsidiary Guarantee dated as of April 26, 2017 by each of the signatories thereto.	8-K	10.4	05/01/17
10.15	Form of 10% Secured Convertible Promissory Note dated April 26, 2017 for $100,000 payable to RedDiamond Partners, LLC.	8-K	4.1	05/01/17
10.15.1	Amendment to 10% Secured Convertible Promissory Note dated April 26, 2017 for $100,0000 payable to RedDiamond Partners, LLC, dated November 16, 2017.	10-K	10.15.1	03/28/2018

Exhibit Number	Description	Filing	Filing Exhibit	Filing Date
10.16	Form of Subscription Agreement and Representations for 111,111 shares of common stock of Helix TCS, Inc. dated as of May 2017.	8-K	10.1	05/11/17
10.17	Form of Helix TCS, Inc. Series B Preferred Stock Purchase Agreement dated May 17, 2017 by and among Helix TCS, Inc., Helix Opportunities, LLC and RSF4, LLC.	10-Q	10.1	5/22/17
10.18	Form of Helix TCS, Inc. Second Series B Preferred Stock Purchase Agreement by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.2	8/02/17
10.19	Form of Helix TCS, Inc. Third Series B Preferred Stock Purchase Agreement dated as of August 25, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.2	8/30/17
10.20	Form of Helix TCS, Inc. Fourth Series B Preferred Stock Purchase Agreement dated as of September 15, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.2	9/21/17
10.21	Form of Helix TCS, Inc. Fifth Series B Preferred Stock Purchase Agreement dated as of October 11, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.3	10/11/17
10.22	Form of Helix TCS, Inc. Sixth Series B Preferred Stock Purchase Agreement dated as of October 31, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.4	11/2/17
10.23	Form Helix TCS, Inc. Seventh Series B Preferred Stock Purchase Agreement dated as of October 31, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.5	11/2/17
10.24	Form of Helix TCS, Inc. Eighth Series B Preferred Stock Purchase Agreement dated as of December 19, 2017 by and among Helix TCS, Inc. and RSF4, LLC.	8-K	10.7	12/20/17
10.25	Form of Helix TCS, Inc. Investor Rights Agreement dated May 17, 2017 by and among Helix TCS, Inc. and the investors listed, including Rose Capital.	10-Q	10.2	5/22/17
10.26	Form of Helix TCS, Inc. Right of First Refusal and Co-Sale Agreement dated May 17, 2017 by and among Helix TCS, Inc., those certain holders of Helix TCS, Inc. Series A Preferred and Common Stock listed and those person and entities listed.	10-Q	10.3	5/22/17
10.27	Form of Helix TCS, Inc. Voting Agreement dated May 17, 2017 by and among Helix TCS, Inc., those certain holders of Helix TCS, Inc. common stock and persons and entities listed therein.	10-Q	10.4	5/22/17
10.28	Form of Membership Interest Purchase Agreement by and between Helix TCS, Inc. and Security Grade Protective Services, Ltd. and Sellers dated June 2, 2017.	8-K	10.1	06/08/17

Exhibit Number	Description	Filing	Filing Exhibit	Filing Date
10.29#	Form of Employment Agreement dated 2017 by and between Security Grade Protective Services, Ltd. and Derek Porter.	8-K	10.2	06/08/17
10.30#	Form of Employment Agreement dated 2017 by and between Security Grade Protective Services, Ltd. and David Beckett.	8-K	10.3	06/08/17
10.31#	Helix TCS, Inc. 2017 Omnibus Stock Incentive Plan.	8-K	10.6	11/16/17
10.32#	Bio-Tech Medical Software, Inc. 2014 Stock Incentive Plan.	8-K	10.32	06/05/18
10.33	Pledge and Security Agreement dated February 1, 2018 by RSF5, LLC and Helix TCS, Inc. for the benefit of BTC Investment LLC.	10-Q	10.33	08/14/18
10.34#	Employment Agreement, dated March 19, 2019, by and between Helix TCS, Inc. and Zachary L. Venegas.	8-K	10.34	03/21/2019
10.35#	Employment Agreement, dated March 19, 2019, by and between Helix TCS, Inc. and Scott M. Ogur.	8-K	10.35	03/21/2019
10.36	Form Securities Purchase Agreement, dated March 1, 2019, by and between Helix TCS, Inc. and each purchaser identified therein.			Filed herewith
10.37(a)	Form Secured Convertible Promissory Note.			Filed herewith
10.37(b)	Form Secured Convertible Promissory Note.			Filed herewith
10.38(a)	Form of Common Stock Purchase Warrant of Helix TCS, Inc.			Filed herewith
10.38(b)	Form of Common Stock Purchase Warrant of Helix TCS, Inc.			Filed herewith
10.39	Form of Security Agreement, dated March 1, 2019, by and between Helix TCS, Inc., the subsidiaries of Helix TCS, Inc. and DiamondRock LLC.			Filed herewith
10.40	Form of Subsidiary Guarantee, dated March 1, 2019 by each of the signatories thereto.			Filed herewith
10.41	Pledge Agreement, dated March 1, 2019, by Helix TCS, Inc. Helix TCS LLC and Engeni, LLC for the benefit of Rose Capital Fund I, LP.			Filed herewith
10.42	Agreement and Plan of Merger, dated February 5, 2019, by and among Helix TCS, Inc., Helix Acquisition Sub, Inc., Green Tree International, Inc. and the Securityholder Representative.			Filed herewith
24.1	Power of Attorney.			Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith
32.1	Certification of Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith

Exhibit Number	Description	Filing	Filing Exhibit	Filing Date
101.INS	XBRL Instance Document.	-	-	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document.	-	-	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	-	-	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	-	-	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	-	-	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	-	-	Filed herewith

Management contract or compensatory plan.

SIGNATURES

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

Date: March 29, 2019

By: /s/ *Zachary L. Venegas*
Zachary L. Venegas
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ *Zachary L. Venegas* Zachary L. Venegas*	Chief Executive Officer (Principal Executive Officer)	March 29, 2019
/s/ *Scott Ogur* Scott Ogur	Chief Financial Officer (Principal Financial Officer)	March 29, 2019
/s/ *Paul Hodges* Paul Hodges*	Director	March 29, 2019
/s/ *Patrick Vo* Patrick Vo*	Director	March 29, 2019
/s/ *Terence Ferraro* Terence Ferraro*	Director	March 29, 2019
/s/ *Andrew Schweibold* Andrew Schweibold*	Director	March 29, 2019
/s/ *Satyavrat Joshi* Satyavrat Joshi*	Director	March 29, 2019

* By: Scott Ogur, as Attorney in Fact, pursuant to the Power of Attorney dated March 29, 2019 and filed herewith.

HELIX TCS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Helix TCS, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Helix TCS, Inc. (the "Company") as of December 31, 2018 and 2017, the relate statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financia statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has a significant accumulated deficit. In addition, the Company continues to experience negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BF Borgers CPA PC
BF Borgers CPA PC

We have served as the Company's auditor since 2016.
Lakewood, CO
March 29, 2019

HELIX TCS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2018	**2017**
ASSETS		
Current assets:		
Cash	$ 285,761	$ 868,554
Accounts receivable, net	1,184,923	610,313
Prepaid expenses and other current assets	409,800	-
Costs & earnings in excess of billings	42,869	40,847
Total current assets	1,923,353	1,519,714
Property and equipment, net	349,518	110,634
Intangible assets, net	18,604,078	3,042,259
Goodwill	39,913,559	664,329
Deposits and other assets	146,990	68,313
Total assets	$ 60,937,498	$ 5,405,249
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,702,713	$ 598,637
Advances from related parties	45,250	124,750
Billings in excess of costs	155,192	20,191
Deferred rent	2,937	9,667
Notes payable, current portion	24,805	11,179
Obligation pursuant to acquisition	201,667	559,103
Convertible notes payable, net of discount	187,177	812,393
Convertible note payable - related party	-	243,506
Due from related party	32,489	-
Contingent consideration	908,604	-
Obligation to issue warrants	804,171	2,429,569
Total current liabilities	4,065,005	4,808,995
Long-term liabilities		
Notes payable, net of current portion	51,554	53,293
Total long-term liabilities	51,554	53,293
Total liabilities	4,116,559	4,862,288
Shareholders' equity (deficit):		
Preferred stock (Class A), $0.001 par value, 3,000,000 shares authorized; 1,000,000 issued and outstanding as of December 31, 2018 and 2017, respectively	1,000	1,000
Preferred stock (Class B), $0.001 par value, 17,000,000 shares authorized; 13,784,201 issued and outstanding as of December 31, 2018 and 2017, respectively	13,784	13,784
Common stock; par value $0.001; 200,000,000 shares authorized; 72,660,825 shares issued and outstanding as of December 31, 2018; 28,771,402 shares issued and outstanding as of December 31, 2017	72,660	28,771
Additional paid-in capital	83,138,792	18,741,114
Accumulated other comprehensive income	17,991	-
Accumulated deficit	(26,423,288)	(18,241,708)
Total shareholders' equity (deficit)	56,820,939	542,961
Total liabilities and shareholders' equity (deficit)	$ 60,937,498	$ 5,405,249

See accompanying notes to the consolidated financial statements.

HELIX TCS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2018	**2017**
Security and guarding	$ 4,889,472	$ 4,029,800
Systems installation	499,138	-
Software	4,174,963	-
Total revenues	$ 9,563,573	$ 4,029,800
Cost of revenue	5,969,039	2,885,459
Gross margin	3,594,534	1,144,341
Operating expenses:		
Selling, general and administrative	2,491,518	1,019,091
Salaries and wages	5,918,594	1,020,812
Professional and legal fees	2,263,212	2,410,356
Depreciation and amortization	3,086,531	477,364
Total operating expenses	13,759,855	4,927,623
Loss from operations	(10,165,321)	(3,783,282)
Other income (expense):		
Change in fair value of convertible note	450,216	(712,393)
Change in fair value of convertible note - related party	93,506	31,068
Change in fair value of obligation to issue warrants	1,625,398	590,436
Change in fair value of contingent consideration	(131,306)	-
Loss on induced conversion of convertible note	-	(1,503,876)
Loss on sale of assets	-	(2,232)
Loss on extinguishment of debt	-	(4,611,395)
Loss on impairment of Goodwill	(664,329)	-
Gain on reduction of obligation pursuant to acquisition	607,415	-
Interest income (expense)	2,841	(674,313)
Other income (expense), net	1,983,741	(6,882,705)
Net loss	$ (8,181,580)	$ (10,665,987)
Other comprehensive income:		
Changes in foreign currency translation adjustment	17,991	-
Total other comprehensive income	17,991	-
Total comprehensive loss	(8,163,589)	(10,665,987)
Convertible preferred stock beneficial conversion feature accreted as a deemed dividend	(22,202,194)	(22,210,520)
Net loss attributable to common shareholders	$ (30,365,783)	$ (32,876,507)
Net loss per share attributable to common shareholders:		
Basic	$ (0.56)	$ (1.15)
Diluted	$ (0.56)	$ (1.15)
Weighted average common shares outstanding:		
Basic	53,777,343	28,612,727
Diluted	53,777,343	28,612,727

See accompanying notes to the consolidated financial statements.

HELIX TCS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

	Common Stock		Preferred Stock (Class A)		Preferred Stock (Class B)		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	28,533,411	28,533	1,000,000	1,000	-	-	7,107,630	-	(7,575,721)	(438,558)
Beneficial conversion feature of Series B convertible preferred stock							22,210,520	-	-	22,210,520
Deemed dividend on conversion of Series B convertible preferred stock to common stock							(22,210,520)	-	-	(22,210,520)
Issuance of Series B preferred shares					13,784,201	12,243	4,475,257	-	-	4,487,500
Cost of issuance of Series B preferred shares							(1,941,633)			(1,941,633)
Stock options issued pursuant to acquisition consideration							916,643	-	-	916,643
Stock options issued in satisfaction of contingent consideration							871,193	-	-	871,193
Induced conversion of convertible debt						1,541	2,002,335	-	-	2,003,876
Issuance of common stock per share purchase agreements	111,111	111					99,889	-	-	100,000
Issuance of common stock relating to cashless exercise of warrants	126,880	127					461,169	-	-	461,296
Reversal of additional paid in capital - warrants related to cashless exercise of warrants							(461,296)	-	-	(461,296)
Warrant issuances to investors							93,200	-	-	93,200
Beneficial conversion feature on convertible debt							535,332	-	-	535,332
Reacquisition price of convertible debt							4,581,395	-	-	4,581,395
Net loss	-	-	-	-	-	-	-	-	(10,665,987)	(10,665,987)
Balance at December 31, 2017	28,771,402	28,771	1,000,000	1,000	13,784,201	13,784	18,741,114	$ -	$ (18,241,708)	$ 542,961
Beneficial conversion feature of Series B convertible preferred stock							22,202,194			22,202,194
Deemed dividend on conversion of Series B convertible preferred stock to common stock							(22,202,194)			(22,202,194)
Issuance of common stock per stock subscription agreements	3,949,997	3,949					3,551,047			3,554,996
Issuance of common stock resulting from convertible note conversion	205,974	206					174,794			175,000
Issuance of restricted common stock	115,000	115					134,850			134,965
Warrant issuance to investor							108,000			108,000
Reduction in Additional Paid-In Capital due to Security Grade acquisition settlement agreement							(340,039)			(340,039)
Restricted common stock issued as part of BioTrack acquisition	38,184,985	38,185					57,513,848			57,552,033
Restricted common stock issued as part of Engeni acquisition	366,700	367					388,335			388,702

Issuance of common stock to employees under Stock Incentive Plan	514,945	515					915,968			916,483
Grant of an option to purchase common stock							629,200			629,200
Issuance of common stock resulting from inducement of consulting agreement	200,000	200					251,800			252,000
Issuance of restricted common stock resulting from an investor relation consulting agreement	125,000	125					126,875			127,000
Issuance of warrants pursuant to consulting agreement							943,000			943,000
Issuance of common stock resulting from exercise of stock options	226,822	227								227
Foreign currency translation								17,991		17,991
Net loss									(8,181,580)	(8,181,580)
Balance at December 31, 2018	72,660,825	$ 72,660	1,000,000	$ 1,000	13,784,201	$ 13,784	$ 83,138,792	$ 17,991	$ (26,423,288)	$ 56,820,939

See accompanying notes to the consolidated financial statements.

HELIX TCS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,181,580)	$ (10,665,987)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,086,531	477,364
Amortization of debt discounts	-	254,533
Share-based compensation expense	3,110,648	-
Change in fair value of convertible notes	(450,216)	712,393
Change in fair value of obligation to issue warrants	(1,625,398)	590,436
Change in fair value of convertible notes - related party	(93,506)	(31,068)
Change in fair value of contingent consideration	131,306	-
Loss on induced conversion of convertible debt	-	1,503,876
Loss on extinguishment of debt	-	4,611,395
Loss on beneficial conversion feature of convertible note	-	390,666
Loss on impairment of goodwill	664,329	-
Gain on reduction of obligation pursuant to acquisition	(607,415)	-
Change in operating assets and liabilities:		
Accounts receivable	(415,939)	(134,301)
Prepaid expenses and other current assets	(406,997)	-
Deposits and other assets	280,703	(44,143)
Costs & earnings in excess of billings	(2,022)	56,051
Accounts payable and accrued expenses	342,733	587,062
Due from related party	32,489	-
Deferred rent	(6,730)	5,424
Billings in excess of costs	135,001	(3,776)
Net cash used in operating activities	(4,006,063)	(1,690,075)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(155,559)	(30,478)
Payments for business combination, net of cash acquired	-	(1,631,313)
Cash acquired as part of business combination	454,306	-
Payments for asset acquisition	(58,729)	(46,872)
Net cash provided by (used in) investing activities	240,018	(1,708,663)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of convertible notes payable	-	229,167
Payments pursuant to convertible notes payable - related party	(150,000)	-
Payments pursuant to a promissory note	(250,000)	-
Payments pursuant to contingent consideration	(131,331)	-
Advances from related parties	(79,500)	(32,000)
Advances from shareholders	-	83,250
Payments pursuant to notes payable	(27,836)	(3,466)
Proceeds from notes payable	39,723	-
Proceeds from the issuance of a promissory note	250,000	255,000
Proceeds from the issuance of common stock	3,555,223	100,000
Proceeds from the issuance of Series B convertible preferred stock	-	3,577,500
Net cash provided by financing activities	3,206,279	4,209,451
Effect of foreign exchange rate changes on cash	(23,027)	-
Net change in cash	(582,793)	810,713
Cash, beginning of period	868,554	57,841
Cash, end of period	$ 285,761	$ 868,554
Supplemental disclosure of cash and non-cash transactions:		
Financing of property and equipment purchases	$ -	$ 52,082
Equity issuance pursuant to asset acquisition (non-cash acquisition of BioTrack)	$ 57,552,033	$ -
Equity issuance pursuant to asset acquisition (non-cash acquisition of Engeni)	$ 388,702	$ -
Cost of issuance of Series B preferred shares	$ -	$ (1,941,633)
Stock options issued pursuant to acquisition consideration	$ -	$ 916,643
Stock options issued pursuant to contingent consideration as part of acquisition	$ -	$ 871,193
Warrant issuances to investors	$ -	$ 93,200
Reacquisition price of convertible debt	$ -	$ 4,581,395
Partial conversion of convertible note into common stock	$ 175,000	$ -

See accompanying notes to the consolidated financial statements.

1. Description of Business

Helix TCS, Inc. (the "Company" or "Helix") was incorporated in Delaware on March 13, 2014. Pursuant to the acquisition of the assets of Helix TCS, LLC, as discussed below, we changed our name from Jubilee4 Gold, Inc. to Helix TCS, Inc. effective October 25, 2015.

Effective October 25, 2015, we entered into an acquisition and exchange agreement with Helix TCS LLC. We closed the transaction contemplated under th Acquisition Agreement on December 23, 2015 and Helix TCS, LLC was merged into and with Helix.

Effective October 1, 2015, for accounting purposes, as part of an acquisition amounting to a reorganization dated December 21, 2015, Helix Opportunities LL exchanged 100% of Helix TCS, LLC and its wholly-owned subsidiaries, Security Consultants Group, LLC and Boss Security Solutions, Inc. to the Company exchange for 20 million common shares and 1 million convertible preferred shares of the Company.

The acquisition of Helix was treated as a recapitalization for financial accounting purposes. Jubilee4 Gold, Inc. is considered the acquiree for accountin purposes and their historical financial statements before the Acquisition Agreement were replaced with the historical financial statements of the Company. The common stock account of the Company continues post-merger, while the retained earnings of the acquiree is eliminated. Furthermore, on April 11, 2016, the Company acquired the assets of Revolutionary Software, LLC ("Revolutionary") (see Note 7).

On June 2, 2017, the Company entered into a Membership Interest Purchase Agreement (the "Agreement") in which the Company purchased all issued an outstanding Units of Security Grade Protective Services, Ltd. ("Security Grade"), which comprised of 800,000 Class A Units and 200,000 Class B Units. A closing, the Company delivered $800,000 in cash and 207,427 non-qualified stock options (the "Initial Stock Options"). Furthermore, provided that, within th first 60 days following the closing, no material customer identified in the Agreement terminates its contractual relationship with the Company and that all contracts with such material customers are in full force and effect without default or cancellation as of the 60th day following the closing, on the 61st day following the closing, the Company shall issue 207,427 additional stock options (the "Additional Stock Options"). The Company subsequently issued the 207,42 additional stock options on August 1, 2017 as well as a second cash payment of $800,000 pursuant to the original terms of the Agreement.

In the first quarter of 2018, the Company notified the selling members of Security Grade their intent on exercising their right of setoff noted in the Agreemen after discovering misrepresentations made by one of the selling members of Security Grade. The Company has settled with all of the selling members. See Note 6 for further details surrounding the settlements.

On March 3, 2018, Helix, Inc. and its wholly owned subsidiary, Merger Sub, entered into the BioTrackTHC Merger Agreement with BioTrackTHC a Terence J. Ferraro, as the representative of the BioTrackTHC stockholders, pursuant to which Merger Sub merged with and into BioTrackTHC.

On June 1, 2018 (the "BioTrackTHC Closing Date"), in connection with closing the Merger, the Company issued 38,184,985 unregistered shares of its commo stock to BioTrackTHC stockholders, of which 1,852,677 shares were held back to satisfy indemnification obligations in the Merger Agreement, if necessary The Company also assumed the BioTrackTHC Stock Plan, pursuant to which options exercisable in the amount of 8,132,410 shares of common stock ar outstanding. As a result, BioTrackTHC stockholders owned approximately 48% of the Company on a fully diluted basis as of the BioTrackTHC Closing Date.

On August 3, 2018 (the "Engeni Closing Date"), the Company and its wholly owned subsidiary, Engeni Merger Sub, LLC ("Engeni Merger Sub"), entered in an Agreement and Plan of Merger (the "Engeni Merger Agreement") with Engeni LLC ("Engeni US"), Engeni S.A ("Engeni SA"), Scott Zienkewicz, Nico Heller and Alberto Pardo Saleme (the "Engeni US members"), and Scott Zienkewicz, as the representative of the Engeni US members. Pursuant to the Enge Merger Agreement, Engeni Merger Sub merged with and into Engeni US, with Engeni US surviving the merger as a wholly-owned subsidiary of the Compar (the "Engeni Merger").

On the Engeni Closing Date, in connection with closing the Engeni Merger Agreement, the Company issued 366,700 shares of Company common stock t Engeni US members. Furthermore, the Company will also issue Engeni US members 366,700 and 366,600 shares of Company common stock upo achievement of specific objectives. If applicable, the Company will pay Engeni US members the aggregate amount of $100,000, on a pro rata basis, if Enger SA reaches financial breakeven on or before December 31, 2018, as determined by the Company's Chief Financial Officer and Scott Zienkewicz. As o December 31, 2018, the Company has not paid this amount to the Engeni US members.

2. Revision of Prior Period Financial Statements

The Company corrected certain immaterial errors in its financial statements contained herein. In accordance with ASC 650-10-S99 and S55 (formerly Stat Accounting Bulletins ("SAB") No. 99 and No. 108), Accounting Changes and Error Corrections, the Company concluded that these errors were, individuall and in the aggregate, not material, quantitatively or qualitatively, to the financial statements in these periods.

On May 17, 2017, the Company sold to accredited investors an aggregate of 5,781,426 Series B Preferred Shares for gross proceeds of $1,875,000 an converted a $500,000 Unsecured Convertible Promissory Note into 1,536,658 Series B Preferred Shares. This tranche of Series B Preferred Shares convertible into 7,318,084 shares of common stock based on the current conversion price, at a purchase price of $0.325 per share. Net proceeds were approximately $1,772,500 after legal and placement agent fees and the satisfaction of the promissory notes.

On October 11, 2017, as contemplated by the Initial Series B Purchase Agreement, the Parties entered into a fifth Series B Preferred Stock Purchas Agreement (the "Fifth Series B Purchase Agreement") whereby the Company issued and sold to accredited investors 231,097 shares of the Company's Serie B Preferred Stock in exchange for an aggregate cash payment equal to $75,000. Upon further review of the Fifth Series B Purchase Agreement, it was note the total number of shares issued under the Fifth Series B Purchase Agreement was 462,195 shares with total proceeds of $150,000.

On October 31, 2017, as contemplated by the Initial Series B Purchase Agreement, the Parties entered into a sixth Series B Preferred Stock Purchas Agreement (the "Sixth Series B Purchase Agreement") whereby the Company issued and sold to accredited investors 795,833 shares of the Company's Serie B Preferred Stock in exchange for an aggregate cash payment equal to $80,000. Upon further review of the Sixth Series B Purchase Agreement, it was note the total number of shares issued under the Sixth Series B Purchase Agreement was 1,042,337 shares with total proceeds of $557,500.

As a result of the October 11, 2017 and October 31, 2017 transactions, the Company recorded an increase of $477, $552,023 and $552,500 to Series E Preferred Shares – par amount, additional paid-in capital and accumulated deficit, respectively.

On November 16, 2017, the Company amended Notes Five, Six, and Seven ("the Amended Notes") with the Fourth Investor. All three notes shall hav maturity dates that are six months from November 16, 2017, shall convert at a 40% discount to the lowest one-day Volume Average Weighted Price ("VWAP") during the 30 trading days preceding such conversion, shall incur interest at an annual rate of 5%, and shall be prepayable at any time at 110% of the unpaid principal and accrued interest balances. The amendment of Note Six and Seven included terms, permitting the Company the option to tende payment in full on or before November 21, 2017, at a 15% discount of the amended principal amounts. Note Five, Six and Seven Principal Amounts wer amended to $281,900, $38,441 and $131,107, respectively. The Company evaluated the Amended Notes in accordance with ASC 480, Distinguishing Liabilitie from Equity and determined the Amended Notes will be accounted for as a liability initially measured at fair value and subsequently at fair value with changes in fair value recognized in earnings. At November 16, 2017, the principal amounts of Note Five, Six and Seven were $281,900, $38,441 and $131,107 respectively. As of December 31, 2017, the Company recorded the fair value of Note Five, Six and Seven at $812,393, $110,781 and $377,830, respectively Therefore, the Company recorded a charge to the change in fair value of $(530,493), $(72,340) and $(246,723) related to Note Five, Six and Sever respectively.

Upon further review it was noted, on November 21, 2017, the Company paid the remaining principal balance, at the 15% discount on Notes Six and Seven i the amount of $144,259. Therefore, Notes Six and Seven did not have a balance as of December 31, 2017.

As a result of the November 21, 2017 transaction, the Company recorded a reduction to convertible notes payable, net of discount of $488,611 and a credit to the change in fair value of convertible notes of $488,611.

When taking into consideration the two transactions indicated above, the net impact to accumulated deficit was a charge of $63,889, resulting from the netting of the gain of $488,611 from the reduction in the fair value of convertible notes at December 31, 2017 offset by the $552,500 of additional expense associated with the Series B Purchase Agreement.

Upon further review it was noted that, during the six months ended June 30, 2018 the Company erroneously recorded revenue for transactions with a consolidating entity and not recording the intercompany entry to eliminate the revenue. Therefore revenue and cost of revenues for the six months ended June 30, 2018 were overstated by $338,437. The Company will adjust for these errors on a prospective basis.

Accordingly, the interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's amended audited consolidated financial statements for the year ended December 31, 2017 included in the Company's Amended Fiscal 2017 Annual Report on Form 10-K/A filed with the SEC on April 4, 2018. In addition, the Company's future Quarterly Reports on Form 10-Q for subsequent quarterly periods during the curren fiscal year will reflect the impact of the revision in the comparative prior quarter and year-to-date periods.

The following table summarizes the effects of the revisions on the financial statements for the periods reported.

	Previously Reported	Adjustments	Revised
Consolidated Balance Sheet as of December 31, 2017			
Convertible notes payable, net of discount	$ 1,301,004	$ (488,611)	$ 812,393
Total liabilities	$ 5,350,899	$ (488,611)	$ 4,862,288
Preferred Shares (Class B) Outstanding	13,306,599	477,602	13,784,201
Preferred Shares (Class B) Par Amount	$ 13,307	$ 477	$ 13,784
Additional Paid in Capital	$ 3,923,234	$ 552,023	$ 4,475,257
Accumulated Deficit	$ (18,177,819)	$ (63,889)	$ (18,241,708)
Total Shareholders' Equity	$ 54,350	$ 488,611	$ 542,961
Total Liabilities and Shareholders' Equity	$ 5,405,249	$ -	$ 5,405,249

	Previously Reported	Adjustments	As revised
Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2018			
Revenue	$ 3,340,817	$ (338,437)	$ 3,002,380
Cost of Revenue	$ 2,689,529	$ (338,437)	$ 2,351,092

3. Going Concern Uncertainty, Financial Condition and Management's Plans

The Company believes that there is substantial doubt about the Company's ability to continue as a going concern. The Company believes that its available cash balance as of the date of this filing will not be sufficient to fund its anticipated level of operations for at least the next 12 months. The Company believes that its ability to continue operations depends on its ability to sustain and grow revenue and results of operations as well as its ability to access capital markets when necessary to accomplish the Company's strategic objectives. The Company believes that the Company will continue to incur losses for the immediate future. The Company expects to finance future cash needs from the results of operations and, depending on the results of operations, the Company will need additional equity or debt financing until the Company can achieve profitability and positive cash flows from operating activities, if ever.

At December 31, 2018, the Company had a working capital deficit of approximately $2,141,652, as compared to working capital deficit of approximately $3,289,281 at December 31, 2017. The increase of $1,147,629 in the Company's working capital from December 31, 2017 to December 31, 2018 was primarily the result of a decrease in the Company's obligation to issue warrants, a decrease in the balance of the Company's convertible notes payable, an increase in prepaid expenses and other current assets, and an increase in accounts receivable, partially offset by an increase in contingent consideration and accounts payable and accrued liabilities.

The Company's future capital requirements for its operations will depend on many factors, including the profitability of its businesses, the number and cash requirements of other acquisition candidates that the Company pursues, and the costs of operations. The Company has been investing in expanding its operation in new states, its security service in Colorado, and upgrading the capabilities of BioTrackTHC. The Company's management has taken several actions to ensure that it will have sufficient liquidity to meet its obligations through December 31, 2019, including growing and diversifying its revenue streams, selectively reducing expenses, and considering additional funding. Additionally, if the Company's actual revenues are less than forecasted, the Company anticipates that variable expenses will also decline, and the Company's management can implement expense reduction as necessary. The Company is evaluating other measures to further improve its liquidity, including the sale of equity or debt securities. Lastly, the Company may elect to reduce certain related-party and third-party debt by converting such debt into common shares. The Company's management believes that these actions will enable the Company to meet its liquidity requirements through December 31, 2019. There is no assurance that the Company will be successful in any capital-raising efforts that it may undertake to fund operations during 2019 and beyond.

The Company plans to generate positive cash flow from its Colorado security operations, BioTrackTHC and Engeni acquisitions to address some of the liquidity concerns. However, to execute the Company's business plan, service existing indebtedness and implement its business strategy, the Company anticipates that it will need to obtain additional financing from time to time and may choose to raise additional funds through public or private equity or debt financings, a bank line of credit, borrowings from affiliates or other arrangements. The Company cannot be sure that any additional funding, if needed, will be available on terms favorable to the Company or at all. Furthermore, any additional capital raised through the sale of equity or equity-linked securities may dilute the Company's current stockholders' ownership and could also result in a decrease in the market price of the Company's common stock. The terms of those securities issued by the Company in future capital transactions may be more favorable to new investors and may include the issuance of warrants or other derivative securities, which may have a further dilutive effect. The Company also may be required to recognize non-cash expenses in connection with certain securities it issues, such as convertible notes and warrants, which may adversely impact the Company's operating results and financial condition. Furthermore, any debt financing, if available, may subject the Company to restrictive covenants and significant interest costs. There can be no assurance that the Company will be able to raise additional capital, when needed, to continue operations in their current form.

4. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which include Helix TCS, LL ("Helix TCS"), Security Consultants Group, LLC ("Security Consultants"), Boss Security Solutions, Inc. ("Boss Security"), Security Consultants Gr Oregon, LLC ("Security Oregon"), Security Grade, BioTrackTHC (since June 1, 2018), and Engeni US (since August 3, 2018).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Changes in estimates and assumptions are reflected in reported results in the period in which they become known. Use of estimates includes the following: 1) allowance for doubtful accounts, 2) estimated useful lives of property, equipment and intangible assets, 3) intangibles impairment, 4) valuation of convertible notes payable and 5) revenue recognition. Actual results could differ from estimates.

Cash

Cash consists of checking accounts. The Company considers all highly-liquid investments purchased with a maturity of three months or less at the time of purchase to be cash equivalents. The Company has no cash equivalents as of December 31, 2018 or 2017.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information; and determines the allowance for doubtful accounts based on historical write-off experience, customer specific facts and economic conditions.

Management charges balances off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company determines when receivables are past due, or delinquent based on how recently payments have been received.

Outstanding account balances are reviewed individually for collectability. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Allowance for doubtful accounts was $76,156 and $3,000 at December 31, 2018 and 2017, respectively.

Long-Lived Assets, Including Definite Intangible Assets

Long-lived assets, other than goodwill and other indefinite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets. Definite-lived intangible assets primarily consist of non-compete agreements and customer relationships. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. The Company measures the impairment loss based on the difference between the carrying amount and the estimated fair value. When an impairment exists, the related assets are written down to fair value.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost. Goodwill is not amortized; rather, it is subject to a periodic assessment for impairment by applying a fair value-based test. Helix reviews goodwill for possible impairment annually during the fourth quarter, or whenever events or circumstances indicate that the carrying amount may not be recoverable.

The impairment model prescribes a two-step method for determining goodwill impairment. However, an entity is permitted to first assess qualitative factors to determine whether the two-step goodwill impairment test is necessary. The qualitative factors considered by Helix may include, but are not limited to, general economic conditions, Helix's outlook, market performance of Helix's industry and recent and forecasted financial performance. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. Otherwise, no further impairment testing is required. In the first step, Helix determines the fair value of its reporting unit using a discounted cash flow analysis. If the net book value of the reporting unit exceeds its fair value, Helix then performs the second step of the impairment test, which requires allocation of the reporting unit's fair value to all of its assets and liabilities using the acquisition method prescribed under authoritative guidance for business combinations with any residual fair value being allocated to goodwill. An impairment charge is recognized when the implied fair value of Helix's goodwill is less than its carrying amount.

Assumptions and estimates used in the evaluation of impairment may affect the carrying value of long-lived assets, which could result in impairment charges in future periods. Such assumptions include projections of future cash flows and the current fair value of the asset. It was determined that during the first quarter of 2018, the Company's entire amount of goodwill attributable to the Security Grade acquisition was impaired. See Note 9 for a further discussion on the impairment.

Accounting for Acquisitions

In accordance with the guidance for business combinations, the Company determines whether a transaction or other event is a business combination, which requires that the assets acquired, and liabilities assumed constitute a business. Each business combination is then accounted for by applying the acquisition method. If the assets acquired are not a business, the Company accounts for the transaction or other event as an asset acquisition. Under both methods, the Company recognizes the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity. In addition, for transactions that are business combinations, the Company evaluates the existence of goodwill or a gain from a bargain purchase. The Company capitalizes acquisition-related costs and fees associated with asset acquisitions and immediately expense acquisition-related costs and fees associated with business combinations.

Business Combinations

The Company accounts for its business combinations under the provisions of Accounting Standards Codification ("ASC") Topic 805-10, Business Combinations ("ASC 805-10"), which requires that the purchase method of accounting be used for all business combinations. Assets acquired and liabilities assumed including non-controlling interests, are recorded at the date of acquisition at their respective fair values. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. Acquisition-related expenses are recognized separately from the business combinations and are expensed as incurred. If the business combination provides for contingent consideration, the Company records the contingent consideration at fair value at the acquisition date and any changes in fair value after the acquisition date are accounted for as measurement-period adjustments. Changes in fair value of contingent consideration resulting from events after the acquisition date, such as earn-outs, are recognized as follows: 1) if the contingent consideration is classified as equity, the contingent consideration is not re-measured and its subsequent settlement is accounted for within equity, or 2) if the contingent consideration is classified as a liability, the changes in fair value are recognized in earnings.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, was determined using established valuation techniques. The estimated fair value of the net assets acquired was determined using the income approach to valuation based on the discounted cash flow method. Under this method, expected future cash flows of the business on a stand-alone basis are discounted back to a present value. The estimated fair value of identifiable intangible assets, consisting of software and trade name acquired were determined using the relief from royalty method.

The most significant assumptions under the relief from royalty method used to value software and trade names include: estimated remaining useful life, expected revenue, royalty rate, tax rate, discount rate and tax amortization benefit. The discounted cash flow method used to value non-compete agreements includes assumptions such as: expected revenue, term of the non-compete agreements, probability and ability to compete, operating margin, tax rate and discount rate. Management has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the Company. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of management, and such variations may be significant to estimated values.

Revenue Recognition

Under FASB Topic 606,*Revenue from Contacts with Customers* ("ASC 606"), the Company recognizes revenue when the customer obtains control of promised goods or services, in an amount that reflects the consideration which is expected to be received in exchange for those goods or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenues when (or as) the Company satisfies a performance obligation.

The security services revenue is generated from performing armed and unarmed guarding which is contracted for on an hourly basis. Revenues associated with these contracted services are recognized under time-based arrangements as services are provided.

Additionally, the Company provides transportation security services, which are generally contracted for on a per-run basis and sometimes additional fees and surcharges are also billed to the client depending on the length of the run. Revenues associated with these services are recognized as the transportation service is provided.

The Company also generates revenue from developing and licensing seed to sale cannabis compliance software to both private-sector and public-sector (government agencies) businesses that are involved in cannabis related operations. The Company also generates revenue from on-going training, support and software customization services.

Occasionally, the Company will enter into systems installation arrangements. Installation jobs are estimated based on the cost of equipment to be installed, the number of hours expected to be incurred to complete the job and other ancillary costs. Revenue associated with these services are recognized over the arrangement period.

Lastly, the Company generates advertising revenues from consumer advertising on its Cannabase platform. Revenue is recognized over the contract period associated with each specific advertising campaign.

Segment Information

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280, Segment Reporting, establishes standards f reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer, who reviews the financial performance and the results o operations of the segments prepared in accordance with GAAP when making decisions about allocating resources and assessing performance of the Company.

Asset information by operating segment is not presented since the chief operating decision maker does not review this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company's consolidated financial statements.

Expenses

Cost of Revenue

The cost of revenues is the total cost incurred to obtain a sale and the cost of the goods or services sold. Cost of revenues primarily consisted of hourly compensation for security personnel and employees involved in the creation and development of licensing software.

Operating Expenses

Operating expenses encompass selling general and administrative expenses, salaries and wages, professional and legal fees and depreciation and amortization. Selling, general and administrative expenses consist primarily of rent/moving expenses, advertising and travel expenses. Salaries and wages is composed o non-revenue generating employees. Professional services are principally comprised of outside legal, audit, information technology consulting, marketing and outsourcing services as well as the costs related to being a publicly traded company.

Other Income (Expense), net

Other income (expense), net consisted of a gain on the change in fair value of obligation to issue warrants, gain on the change in the fair value of convertible notes, gain on the change in fair value of convertible notes – related party, loss on the change in fair value of contingent consideration, loss on impairment of goodwill, gain on reduction of obligation pursuant to acquisition, and interest income.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. Useful lives are 3 years for vehicles and 5 years for furniture and equipment. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When assets are sold, or retired, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in other income.

Contingencies

Occasionally, the Company may be involved in claims and legal proceedings arising from the ordinary course of its business. The Company records a provisio for a liability when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. If these estimates and assumptions change or prove to be incorrect, it could have a material impact on the Company's consolidated financial statements. Contingencies are inherently unpredictable, and the assessments of the value can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

Leases

Lease agreements are evaluated to determine if they are capital leases meeting any of the following criteria at inception: (a) transfer of ownership; (b) bargain purchase option; (c) the lease term is equal to 75 percent or more of the estimated economic life of the leased property; or (d) the present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at lease inception over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

If at its inception, a lease meets any of the four lease criteria above, the lease is classified by the Company as a capital lease; and if none of the four criteria are met, the lease is classified by the Company as an operating lease.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term, whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. This generally results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and included in liabilities.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expenses and amounted to $96,420 and $43,509 for the years ended December 31, 2018 and 2017, respectively.

Foreign Currency

The local currency is the functional currency for one entity's operations outside the United States. Assets and liabilities of these operations are translated to U.S. dollars at the exchange rate in effect at the end of each period. Income statement accounts are translated at the average exchange rate prevailing during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of other comprehensive loss within shareholders' equity. Gains and losses from foreign currency transactions are included in net loss for the period.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating loss for financial-reporting and tax-reporting purposes. Accordingly, for Federal and state income tax purposes, the benefit for income taxes has been offset entirely by a valuation allowance against the related federal and state deferred tax asset for the years ended December 31, 2018 and 2017.

Comprehensive Loss

Comprehensive loss consists of consolidated net loss and foreign currency translation adjustments. Foreign currency translation adjustments included in comprehensive loss were not tax-effected as investments in international affiliates are deemed to be permanent.

Distinguishing Liabilities from Equity

The Company relies on the guidance provided by ASC Topic 480, *Distinguishing Liabilities from Equity*, to classify certain redeemable and/or convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records its financial instruments classified as liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement – Financial instruments classified as liabilities

The Company records the fair value of its financial instruments classified as liabilities at each subsequent measurement date. The changes in fair value of its financial instruments classified as liabilities are recorded as other expense/income.

Beneficial Conversion Feature

If the conversion features of conventional convertible debt provide for a rate of conversion that is below market value, this feature is characterized as a Beneficial Conversion Feature ("BCF"). A beneficial conversion feature is recorded by the Company as a debt discount pursuant to ASC 470-20*Debt with Conversion and Other Options*. In those circumstances, the convertible debt is recorded net of the discount related to the beneficial conversion feature and the Company amortizes the discount to interest expense over the life of the debt.

The Company accounts for the beneficial conversion feature on its convertible preferred stock in accordance with ASC 470-20,*Debt with Conversion and Other Options*. The BCF of convertible preferred stock is normally characterized as the convertible portion or feature that provides a rate of conversion that is below market value or in-the-money when issued. The Company records a BCF related to the issuance of convertible preferred stock when issued. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

To determine the effective conversion price, the Company first allocates the proceeds received to the convertible preferred stock and then uses those allocated proceeds to determine the effective conversion price. If the convertible instrument is issued in a basket transaction (i.e., issued along with other freestanding financial instruments), the proceeds should first be allocated to the various instruments in the basket. Any amounts paid to the investor when the transaction is consummated (e.g., origination fees, due diligence costs) represent a reduction in the proceeds received by the issuer. The intrinsic value of the conversion option should be measured using the effective conversion price for the convertible preferred stock on the proceeds allocated to that instrument. The effective conversion price represents proceeds allocable to the convertible preferred stock divided by the number of shares into which it is convertible. The effective conversion price is then compared to the per share fair value of the underlying shares on the commitment date.

The accounting for a BCF requires that the BCF be recognized by allocating the intrinsic value of the conversion option to additional paid-in capital, resulting in a discount on the convertible preferred stock. This discount should be accreted from the date on which the BCF is first recognized through the earliest conversion date for instruments that do not have a stated redemption date. The intrinsic value of the BCF is recognized as a deemed dividend on convertible preferred stock over a period specified in the guidance.

Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of ASC Topic 718,*Stock Based Compensation*. Stock-based compensation to employees consist of stock options grants and restricted shares that are recognized in the statement of operations based on their fair values at the date of grant.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASC Topic 505, subtopic 50,*Equity-Based Payments to Non-Employees* based upon the fair-value of the underlying instrument. The equity instruments, are valued using the Black-Scholes valuation model. The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period which services are received.

The Company calculates the fair value of option grants utilizing the Black-Scholes pricing model and estimates the fair value of the stock based upon the estimated fair value of the common stock. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight- line basis over the requisite service period of the award.

Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") provides a framework for measuring fair value in accordance with generally accepted accounting principles.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable for the asset or liability.

Certain assets and liabilities of the Company are required to be recorded at fair value either on a recurring or non-recurring basis. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in an orderly transaction based on market participants. The following section describes the valuation methodologies that the Company used to measure, for disclosure purposes, its financial instruments at fair value.

Convertible notes payable

The fair value of the Company's convertible notes payable, approximated the carrying value as of December 31, 2018 and 2017. Factors that the Company considered when estimating the fair value of its debt included market conditions and the term of the debt. The level of the debt would be considered as Level 2.

Additional Disclosures Regarding Fair Value Measurements

The carrying value of cash, accounts receivable, prepaid expenses, deposits, accounts payable and accrued liabilities, advances from shareholders and obligation pursuant to acquisition approximate their fair value due to the short-term maturity of those items.

Earnings (Loss) per Share

The Company follows ASC 260,*Earnings Per Share*, which requires presentation of basic and diluted earnings per share ("EPS") on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. In the accompanying financial statements, basic earnings (loss) per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted EPS excluded all potential dilutive shares if their effect was anti-dilutive.

Basic net loss per share is based on the weighted average number of common and common-equivalent shares outstanding. Potential common shares includable in the computation of fully-diluted per share results are not presented in the consolidated financial statements for the years ended December 31, 2018 and 2017 as their effect would be anti-dilutive.

Basic loss per common share is computed based on the weighted average number of shares outstanding during the period. Diluted loss per share is computed in a manner similar to the basic loss per share, except the weighted-average number of shares outstanding is increased to include all common shares, including those with the potential to be issued by virtue of warrants, options, convertible debt and other such convertible instruments. Diluted loss per share contemplates a complete conversion to common shares of all convertible instruments only if they are dilutive in nature with regards to earnings per share.

The anti-dilutive shares of common stock outstanding for years ended December 31, 2018 and 2017 were as follows:

	For the Years Ended December 31,	
	2018	**2017**
Potentially dilutive securities:		
Convertible notes payable	124,784	433,668
Convertible Preferred A Stock	1,000,000	1,000,000
Convertible Preferred B Stock	13,784,201	13,784,201
Warrants	3,418,184	2,780,193
Stock options	8,729,463	

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the current period financial statement presentation. These reclassifications had no effect on net earnings or cash flows as previously reported.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09,*"Revenue from Contracts with Customers" ("ASU 2014-09").*The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. In April and May 2016, the FASB issued ASU 2016-10,*"Revenue from Contracts with Customers – Identifying Performance Obligations and Licensing"*, ASU 2016-11, *"Revenue Recognition and Derivatives and Hedging – Recession of SEC Guidance"*,ASU 2016-12, *"Revenue from Contracts with Customers – Narrow-Scope Improvements and Practical Expedients"*,and ASU 2016-20, *"Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers"*. These ASUs each affect the guidance of the new revenue recognition standard in ASU 2014-09 and related subsequent ASUs. The new guidance is effective for annual reporting periods (including interim periods within those periods beginning after December 15, 2017 for public companies

On January 1, 2018, we adopted the new accounting standard ASC 606 *"Revenue from Contracts with Customers* and all the related amendments" ("ASC 606") to all contracts which were not completed or expired as of January 1, 2018 using the modified retrospective method. The Company had no cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while the comparative information will continue to be reported under the accounting standards in effect for those periods.

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recogniz leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easemen Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; ASU No. 2018-11, Targete Improvements; and ASU No. 2018-20, Narrow-Scope Improvements for Lessors. The new standard establishes a right-of-use model (ROU) that requires lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance o operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Company on January 1, 2019, with early adoption permitted. A modified retrospective transition approach is required applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We expect to adopt the new standard on January 1, 2019 and use the effective date as our date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides several optional practical expedients in transition. We expect to elect the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We do not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us.

The new standard also provides practical expedients for an entity's ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. We do not currently expect to elect the practical expedient to not separate lease and non-lease components for any of our leases.

We expect that this standard will have a material effect on our financial statements. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our balance sheet for our office and equipment operating leases; and providing significant new disclosures about our leasing activities. We do not expect a significant change in our leasing activities between now and adoption.

On adoption, we currently expect to recognize additional operating liabilities of approximately $393,000, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

In January 2017, the FASB issued ASU 2017-01*Business Combinations (Topic 805) Clarifying the Definition of a Business.*The amendments in this Update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted this standard on January 1, 2018.

In January 2017, the FASB issued ASU No. 2017-04*Intangibles – Goodwill and Other (Topic 350); Simplifying the Test for Goodwill Impairment.*The amendments in this update simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for public companies for the reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has elected to early adopt the provisions of ASU 2017-04 and, at March 31, 2018, goodwill was tested for potential impairment. As a result of the goodwill impairment test performed, it was determined that the carrying value for each reporting unit was higher than its fair value. Please refer to Note 9 for further detail.

In May 2017, the FASB issued ASU No 2017-09*"Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting"*(ASU 2017-09). ASU 2017-09 provides clarity and reduces both (i) diversity in practice and (ii) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all three of the following are met: (1) The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. Note that the current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-09. ASU 2017-09 is effective for all annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The updated standard was adopted by the Company on January 1, 2018. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220); Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the ASU. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07,*Compensation-Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees and applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. ASC 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. This update is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of ASC 606. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13,*Fair Value Measurement (ASC 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes certain disclosures, modifies certain disclosures and adds additional disclosures. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted. The Company is evaluating the effect that this update will have on its financial statements and related disclosures.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

5. Revenue Recognition

Adoption of ASC 606 Revenue from Contracts with Customers

The Company adopted the new revenue standard, ASC 606, using the modified retrospective method with respect to all non-completed contracts as of January 1, 2018. This method required retrospective application of the new accounting standard to all unfulfilled contracts that were outstanding as of January 1, 2018. Revenues and contract assets and liabilities for contracts completed prior to January 1, 2018 are presented in accordance with ASC 605.

The Company has determined that there were no adjustments required with respect to the adoption of ASC 606 with respect to any prior periods.

Disaggregation of revenue

	For the Years Ended December 31,	
	2018	2017
Types of Revenues:		
Security and Guarding	$ 4,889,472	$ 4,029,800
Systems Installation	499,138	-
Software	4,174,963	-
Total revenues	$ 9,563,573	$ 4,029,800

The following is a description of the principal activities from which we generate our revenue.

Security and Guarding Revenue

Helix provides armed and unarmed guards, as well as armed transportation services. The guards are charged out at an hourly rate, with invoices typically sent to clients shortly after each month-end for the previous month, with revenue being recognized at a point in time once the service has been provided. Transportation services are typically invoiced on a per-run basis, with revenue being recognized at a point in time once the service has been completed.

Systems Installation Revenue

Security systems, including IP CCTV, intrusion alarm systems, perimeter alarm systems, and access controls are installed for clients. Installation jobs are estimated based on the cost of the equipment, the number of man hours expected to complete the work, supplies, travel, and any other ancillary costs. The installation is typically invoiced with 60% of the total price immediately after signing and the balance upon completion of the installation service. The timing of these contracts are short-term in nature, are less than 12 months in duration, and revenue is recognized over the term of the contracts.

Software

The Company generates revenue from developing and licensing seed to sale cannabis compliance software to both private-sector and public-sector (government agencies) clients that are involved in cannabis related operations. The Company also generates revenue from on-going training, support and software customization services.

The private-sector software entails cultivation tracking, inventory management, point of sale and analytic reporting to assist businesses in meeting their compliance requirements and effectively managing their businesses. Customers within the private sector business are charged an initial one-time installation fee and the revenues associated with these services are recognized upon completion of installation and configuration at a point in time. After the installation and configuration of the software is completed, the customer is invoiced monthly and revenues associated with these services are recognized monthly over a period of time in which the customer continues to use the software and related services.

The public-sector software assists government agencies in efficient oversight of cannabis related business under their jurisdiction. Revenues associated with governmental contracts are longer-term in nature and recognized upon completion of certain milestones over a period of time or on a completed-contract basis at a point in time. The Company considers the contract to be complete when all significant costs have been incurred and the customer accepts the project. Costs incurred prior to the customer accepting the project are deferred and reflected on the Balance Sheet as Work-in-process – Traceability.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in accordance with ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Generally, the Company's contracts include a single performance obligation that is separately identifiable, and therefore, distinct. Under ASC 606, the allocation of transaction price is not necessary if only one performance obligation is identified.

Significant Judgments

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue, costs and satisfaction of performance obligation. The Company satisfies its performance obligations and subsequently recognizes revenue, at a point in time, as security and installation services are performed. There were no changes to the significant judgments used by the Company to determine the timing of satisfaction of the performance obligations under ASC 606.

Costs to Obtain or Fulfill Contract

The Company's costs to fulfill or obtain contracts with customers primarily consist of commissions and legal costs. The Company provides sales team members with commissions at 0-6%. Although sales commissions are incremental in nature and are only incurred when a contract is obtained, there is no up-front commission paid on the satisfactory obtainment of a contract, resulting in no sales commissions being capitalized at December 31, 2018 and 2017. The Company also incurs legal costs relating to the drafting and negotiating of contracts with select customers. Because legal costs are not incremental in nature and are incurred regardless of whether a contract is ultimately obtained, there were no legal costs capitalized as of December 31, 2018 and 2017. The Company did not record amortization of costs incurred to obtain the contract or any impairment losses for the years ended December 31, 2018 and 2017.

6. Business Combination

Security Grade Acquisition

On June 2, 2017, the Company entered into a Membership Interest Purchase Agreement (the "Agreement") in which the Company purchased all issued and outstanding Units of Security Grade Protective Services, Ltd. ("Security Grade"), which comprised of 800,000 Class A Units and 200,000 Class B Units. At closing, the Company delivered $800,000 in cash and 207,427 non-qualified stock options (the "Initial Stock Options"). Furthermore, provided that, within the first 60 days following the closing, no material customer identified in the Agreement terminates its contractual relationship with the Company and that all contracts with such material customers are in full force and effect without default or cancellation as of the 60th day following the closing, on the 61st day following the closing, the Company shall deliver an additional $800,000 in cash and issue 207,427 additional stock options (the "Additional Stock Options"). In the event of termination, cancellation or default of any contract with one or more material customer identified in the Agreement within the first 60 days following the closing, the stock options received by the acquiree shall be reduced and/or forfeited to the extent necessary (pro rata based upon their ownership interest in the Company immediately preceding the closing) by a percentage equal to the revenue received by the Company from the terminating customer(s) in the 180 days immediately preceding such termination divided by the revenue received by the Company from all material customers identified in the Agreement in the 180 days immediately preceding such termination. As of December 31, 2018 and 2017, the Company had a liability pursuant to the Agreement of $101,667 and $500,373, respectively, payable following the closing.

The merger is being accounted for as a business combination in accordance with ASC 805. The Company's allocation of the purchase price was calculated as follows:

Base Price - Cash	$	2,100,373
Base Price - Stock Options		916,643
Contingent Consideration - Stock Options		916,643
Total Purchase Price	$	3,933,659

Description	Fair Value	Weighted Average Useful Life (in years)
Assets acquired:		
Cash	$ 14,137	
Accounts receivable	53,792	
Costs & earnings in excess of billings	96,898	
Property, plant and equipment, net	27,775	
Trademarks	25,000	10
Customer lists	3,154,578	5
Web address	5,000	5
Goodwill	664,329	
Other assets	3,880	
Total assets acquired	$ 4,045,389	
Liabilities assumed:		
Billings in excess of costs	$ 23,967	
Loans payable	18,414	
Credit card payable and other liabilities	69,349	
Total liabilities assumed	111,730	
Estimated fair value of net assets acquired	$ 3,933,659	

The initial stock options are included as part of the purchase price. The Company determined the fair value of the contingent consideration to be $916,643 a June 2, 2017 and recorded it as a liability in its unaudited consolidated balance sheets. The Company satisfied their contingent consideration liability during the third quarter of 2017. During the year ended December 31, 2018, the Company reached settlement agreements with all six selling members. As a result o these settlements, a gain on reduction of obligation pursuant to acquisition in the amount of $607,415 has been recorded for the year ended December 31, 2018. This reflects an adjustment for both cash and the cancellation of 80,979 options previously issued as part of the acquisition (see Note 17).

BioTrackTHC Acquisition

On March 3, 2018, the Company and its wholly owned subsidiary, Merger Sub, entered into the Merger Agreement with BioTrackTHC and Terence Ferraro, as the representative of the BioTrackTHC stockholders, pursuant to which Merger Sub merged with and into BioTrackTHC (the "Merger"). On Ju 1, 2018, the Company closed the Merger. In connection with closing the Merger, the Company issued 38,184,985 unregistered shares of Company commo stock to BioTrackTHC stockholders, of which 1,852,677 shares were held back to satisfy indemnification obligations in the Merger Agreement, if necessary The Company also assumed the BioTrackTHC Stock Plan, pursuant to which options exercisable for 8,132,410 shares of Company common stock a outstanding so that the BioTrackTHC stockholders owned approximately 48% of the Company on a fully diluted basis as of the BioTrackTHC Closing Date.

The Merger is being accounted for as a business combination in accordance with ASC 805. The Company's allocation of the purchase price was calculated as follows:

Base Price - Common Stock	$ 44,905,542
Base Price - Stock Options	12,646,491
Total Purchase Price	$ 57,552,033

Description	Fair Value	Weighted Average Useful Life (in years)
Assets acquired:		
Cash	$ 448,697	
Accounts receivable	128,427	
Prepaid expenses	351,615	
Property, plant and equipment, net	72,252	
Goodwill	39,135,007	
Customer list	8,304,449	5
Software	9,321,627	4.5
Tradename	466,081	4.5
Total assets acquired	$ 58,228,155	
Liabilities assumed:		
Accounts payable	$ 223,581	
Other liabilities	452,541	
Total liabilities assumed	676,122	
Estimated fair value of net assets acquired	$ 57,552,033	

Total acquisition costs for the BioTrackTHC merger incurred during the year ended December 31, 2018 was $116,624, and is included in selling, general and administrative expense in the Company's Statements of Operations.

Unaudited Pro Forma Results

BioTrackTHC contributed revenues of $4,122,123 and a net loss of $(566,982) for the period June 1, 2018 through December 31, 2018, included in the Company's consolidated statements of operations.

The following table below represents the revenue, net loss and loss per share effect of the acquired company, as reported in our pro forma basis as if the acquisition occurred on January 1, 2017. These pro forma results are not necessarily indicative of the results that actually would have occurred if the acquisition had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods.

	For the Year Ended December 31	
Description	2018	2017
Revenues	$ 12,445,949	$ 11,817,283
Net loss	(11,440,489)	(11,017,372)
Net loss attributable to common shareholders	(33,624,692)	(32,876,507)
Loss per share attributable to common shareholders:		
Basic and diluted-as pro forma (unaudited)	(0.63)	(1.15)

Engeni SA Acquisition

On the Engeni Closing Date, the Company and its wholly owned subsidiary, Engeni Merger Sub, entered into the Engeni Merger Agreement with Engeni US, Engeni SA, Scott Zienkewicz, Nicolas Heller and Alberto Pardo Saleme (the "Engeni US members"), and Scott Zienkewicz as the representative of the Engeni US members. Pursuant to the Engeni Merger Agreement, Engeni Merger Sub merged with and into Engeni US, with Engeni US surviving the merger as a wholly-owned subsidiary of the Engeni Merger. On the Engeni Closing Date, in connection with closing the Engeni Merger Agreement, the Company issued 366,700 shares of Company common stock to Engeni US members. Furthermore, the Company may also issue Engeni US members 366,700 and 366,600 shares of Parent common stock upon the achievement of specific objectives. If applicable, the Company will pay Engeni US members the aggregate amount of $100,000, on a pro rata basis, if Engeni SA reaches financial breakeven on or before December 31, 2018, as determined by the Company's Chief Financial Officer and Scott Zienkewicz. As of December 31, 2018, the Company has not paid this amount to the Engeni US members.

The Merger is being accounted for as a business combination in accordance with ASC 805. The Company has determined preliminary fair values of the asset acquired and liabilities assumed in the Merger. These values are subject to change as we perform additional reviews of our assumptions utilized.

The Company has made a provisional allocation of the purchase price of the Merger transaction to the assets acquired and the liabilities assumed as of the purchase date. The following table summarizes the provisional purchase price allocations relating to the Merger transaction:

Base Price - Common Stock	$	388,702
Contingent Consideration - Common Stock		777,298
Contingent Consideration - Cash		100,000
Total Purchase Price	$	1,266,000

Description	Fair Value	Weighted Average Useful Life (in years)
Assets acquired:		
Cash	$ 5,609	
Accounts receivable and other assets	30,479	
Property, plant and equipment, net	57,830	
Software	449,568	3.3
Goodwill	778,552	
Total assets acquired	$ 1,322,038	
Liabilities assumed:		
Accounts payable	$ 56,038	
Total liabilities assumed	56,038	
Estimated fair value of net assets acquired	$ 1,266,000	

Total acquisition costs for the Engeni merger incurred during the year ended December 31, 2018 was $38,409, and is included in selling, general and administrative expense in the Company's Statements of Operations.

7. Asset Acquisition

The acquisition of the assets of Revolutionary Software, LLC occurred via two transactions.

1. On March 14, 2016, the Company purchased one-third of the equity interest in Revolutionary for total consideration of $350,000in cash and 75,000 shares of common stock of the Company. $50,000 was paid in cash at closing, with the balance ($300,000) being paid in twenty-four monthly installments of $10,417, with a final payment of $50,000 to be paid on the twenty-fifth month.

2. On April 11, 2016, the Company entered into an asset purchase agreement with Revolutionary; in which the Company purchased allof the intangible rights and property of Revolutionary for total consideration of $300,000 payable in two equal installments pursuant to a promissory note and 2,320,000 shares of restricted common stock of the Company.

The total purchase price for the Revolutionary assets acquired was $1,596,750. The acquisition cost has been allocated over the intangible assets acquired in accordance with the guidance set forth in ASC 805,*Business Combinations*, please see Note 9. Intangible Assets, Net. As of December 31, 2018 and 2017 the Company has a liability pursuant to the Revolutionary asset acquisition of $0 and $58,370, respectively. As of December 31, 2018, the Company owed the initial seller $0.

8. Property and Equipment, Net

At December 31, 2018 and 2017, property and equipment consisted of the following:

	December 31,	
	2018	2017
Furniture and equipment	$ 264,659	$ 16,332
Software equipment	-	1,382
Vehicles	202,700	175,647
Total	467,359	193,361
Less: Accumulated depreciation	(117,841)	(82,727)
Property and equipment, net	$ 349,518	$ 110,634

Depreciation expense for the years ended December 31, 2018 and 2017 was $106,625 and $55,301, respectively.

9. Intangible Assets, Net and Goodwill

The following table summarizes the Company's intangible assets:

		December 31, 2018			
	Estimated Useful Life (Years)	Gross Carrying Amount at December 31, 2017	Assets Acquired Pursuant to Business Combination (2) (3)	Accumulated Amortization	Net Book Value
Database	5	$ 93,427	$ -	$ (50,858)	$ 42,569
Trade names and trademarks	5-10	125,000	466,081	(91,554)	499,527
Web addresses	5	130,000	-	(69,625)	60,375
Customer list	5	3,154,578	8,304,449	(1,965,520)	9,493,507
Software	4.5	-	9,771,195	(1,263,095)	8,508,100
		$ 3,503,005	$ 18,541,725	$ (3,440,652)	$ 18,604,078

		December 31, 2017			
	Estimated Useful Life (Years)	Gross Carrying Amount at December 31, 2016	Assets Acquired Pursuant to Business Combination (1)	Accumulated Amortization	Net Book Value
Database	5	$ 93,427	$ -	$ (32,183)	$ 61,244
Trade names and trademarks	10	100,000	25,000	(18,675)	106,325
Web addresses	5	125,000	5,000	(43,639)	86,361
Customer list	5	-	3,154,578	(366,249)	2,788,329
		$ 318,427	$ 3,184,578	$ (460,746)	$ 3,042,259

(1) On June 2, 2017, the Company acquired various assets of Security Grade Protective Services, Ltd. (See Note 6)

(2) On June 1, 2018, the Company acquired various assets of BioTrackTHC (See Note 6)

(3) On August 3, 2018, the Company acquired various assets of Engeni (See Note 6)

The Company uses the straight-line method to determine the amortization expense for its definite lived intangible assets. Amortization expense related to the purchased intangible assets was $2,979,906 and $422,063 for the years ended December 31, 2018 and 2017, respectively.

The estimated future amortization expense for the next five years and thereafter is as follows:

Years Ending December 31,	Future amortization expense
2019	$ 4,655,489
2020	4,668,244
2021	4,613,574
2022	3,931,667
2023	703,773
Thereafter	31,331
Total	$ 18,604,078

The following table summarizes the Company's goodwill as of December 31, 2018 and 2017:

	Total Goodwill
Balance at January 1, 2017	$ -
Goodwill attributable to Security Grade acquisition	664,329
Balance at January 1, 2018	$ 664,329
Impairment of goodwill	(664,329)
Goodwill attributable to BiotrackTHC acquisition	39,135,007
Goodwill attributable to Engeni acquisition	778,552
Balance at December 31, 2018	$ 39,913,559

During the first quarter of 2018, the Company came to a settlement agreement with multiple Security Grade employees resulting from a misrepresentation o revenue and customer list information provided as part of the acquisition. Therefore, the Company considers the settlement to be an indicator for goodwil impairment testing. Accordingly, at March 31, 2018, goodwill was tested for potential impairment. As a result of the goodwill impairment test performed, it was determined that the carrying value for each reporting unit was higher than its fair value and therefore goodwill was fully impaired, which resulted in a write-off of $664,329 for the year ended December 31, 2018. As part of the BioTrackTHC acquisition, goodwill in the amount of $39,135,007 was recognized on th Company's Consolidated Balance Sheet. As part of the Engeni US acquisition, goodwill in the amount of $778,552 was recognized on the Company' Consolidated Balance Sheet.

10. Costs, Estimated Earnings and Billings

Costs, estimated earnings and billings on uncompleted contracts are summarized as follows as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Costs incurred on uncompleted contracts	$ 89,700	$ 64,704
Estimated earnings	50,512	27,730
Cost and estimated earnings earned on uncompleted contracts	140,212	92,434
Billings to date	252,535	71,778
Costs and estimated earnings in excess of billings on uncompleted contracts	(112,323)	20,656
Costs in excess of billings	$ 42,869	$ 40,847
Billings in excess of cost	(155,192)	(20,191)
	$ (112,323)	$ 20,656

11. Accounts Payable and Accrued Expenses

As of December 31, 2018 and 2017, accounts payable and accrued expenses consisted of the following:

	December 31,	
	2018	2017
Accounts payable	$ 842,389	$ 334,751
Accrued expenses	847,560	220,682
Accrued interest	12,764	43,204
Total	$ 1,702,713	$ 598,637

12. Convertible Notes Payable

	December 31,	
	2018	2017
Note Five, 5% convertible promissory note, fixed secured, maturing November 16, 2019	$ 187,177	$ 812,393
	187,177	812,393
Less: Current portion	(187,177)	(812,393)
Long-term portion	$ -	$ -

On September 30, 2016, the Company entered into an Unsecured Convertible Promissory Note ("Note Four") with a fourth investor (the "Fourth Investor") which the Fourth Investor provided the Company $500,000 in cash. As of December 31, 2016, the Class B Preferred Shares were not established as a result o Holder Default, in which, the Fourth Investor did not act in good faith towards the prompt negotiation, execution and delivery of the Class B Preferred Shares.

On March 31, 2017, the First Amendment to Note Four (the "Amended Note") was entered by the Company and the Fourth Investor. In the absence of Company Event of Default or Fourth Investor Event of Default, Amended Note is payable by issuance upon conversion into Class B Preferred Shares of th Company, which was to occur no later than June 1, 2017. The Amended Note had the following conversion features:

- Automatic Conversion. The principal balance of Note Four shall automatically convert into shares of Class B Preferred Shares upon execution by th Company and the Fourth Investor of definitive documentation relating to the $500,000, aggregate principal amount, investment by the Fourth Investo in Class B Preferred Shares of the Company.

- Company Default. In the event of a Company Event of Default, the Fourth Investor the shall have the right to elect to (i) at any time prior to June 3(2017, convert the aggregate outstanding principal amount of Note Four into Class B Preferred Shares equal to 6.3% of the Company's equity capita calculated on a fully-diluted basis, or (ii) at any time commencing on July 1, 2017 and ending on September 30, 2017, have Note Four redeemed fo cash at a redemption price, in aggregate, equal to 150% of the aggregate principal outstanding balance of Note Four or (iii) to convert Note Four int common shares of the Company equal to 6.3% of the Company's equity capital calculated on a fully-diluted basis. In the event the Holder does no elect any remedy in the event of a Company Event of Default, on September 30, 2017 the Note shall be converted in whole into common shares of th Company equal to 6.3% of the Company's equity capital calculated on a fully-diluted basis.

- Holder Default. In the event of a Holder Event of Default, the Company shall have the right to either (i) redeem Note Four at par value at any tim prior to June 1, 2017 or (ii) convert the outstanding principal balance into common shares of the Company at market value.

- The Valuation and Consideration provision in Section 2 of the Term Sheet is affirmed and ratified; provided, however, that the parties agree that the $12,000,000 valuation therein is subject to dilution of $600,000 from additional investments in the Company by third parties following the Holder's $500,000 investment that is memorialized in the Amended Note. For the avoidance of doubt, the Holder will receive the same number of shares as i would have for its investment if it had converted at a $12,000,000 valuation on October 20, 2016 given the 26,587,497 shares outstanding at that time. For the avoidance of doubt, the Note will convert into 1,162,500 shares.

The Company evaluated the Amended Note and the embedded conversion feature under ASC 815 and determined the conversion feature did not meet the definition of a derivative and therefore should not be bifurcated. The Company then evaluated the Amended Note in accordance with ASC 480 and determined that Note Four will be accounted for as a liability measured at fair value.

Due to the terms of the Amendment, the Company evaluated Note Four under ASC 470-50 to determine if modification or extinguishment treatment was necessary. After performing the analysis under ASC 470-50, it was determined extinguishment treatment was appropriate and the Company should extinguish Note Four and recognize the Amended Note as new debt. At December 31, 2017, the Company recognized a loss on extinguishment of $4,611,395 on Note Four, which included $4,581,395 recorded in additional paid in capital plus $30,000 related to the write-off of the unamortized debt discount created upon the establishment of Note Four.

On May 17, 2017, pursuant to the Series B Preferred Stock Purchase Agreement (see Note 13), Note Four was converted into 1,540,649 Series B Preferred Shares in which the conversion feature into common stock was altered from $0.43 per share of common stock to $0.3245385 per share of the Series B Preferred Stock. In accordance with ASC 470, the Company recorded a loss on induced conversion associated with the conversion of Note Four of $1,503,876.

On February 13, 2017, the Company entered into a $183,333 10% Fixed Secured Convertible Promissory Note ("Note Five") with a third investor (the "Third Investor"). The Third Investor provided the Company with $166,666 in cash, which was received by the Company during the period ended March 31, 2017. The additional $16,666 was retained by the Third Investor for due diligence and legal bills for the transaction. The Company promised to pay the principal amount, together with guaranteed interest at the annual rate of 10%, with principal and accrued interest on Note Five due and payable on September 12, 2017 (unless converted under terms and provisions as set forth within Note Five). The principal balance of Note Five was convertible at the election of the Third Investor, in whole or in part, at any time or from time to time, into the Company's common stock at $1.50 per share. In conjunction with Note Five, the Company issued a warrant to the third investor to purchase 25,000 shares of the Company's common stock at $1.00 per share. Note Five became effective on February 14, 2017 upon the execution by the Company and the Holder. In addition, the Company reserved 2,500,000 shares of the Company's common stock for the Third Investor.

The Company evaluated the embedded conversion feature within the above convertible note under ASC 815 and determined the conversion feature did not meet the definition of a derivative and therefore should not be bifurcated. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception. The Company accounted for the intrinsic value of a Beneficial Conversion Feature inherent to the convertible note payable and a total debt discount of $183,333 was recorded.

The Company recorded a debt discount relating to the warrants issued in the amount of $22,000 based on the relative fair values of Note Five without the warrants and the warrants themselves at the effective date of Note Five. The additional $16,666 retained by the Third Investor for due diligence and legal bills for the transaction will be recorded as a debt discount. The calculated value of the beneficial conversion feature and the combined value of the debt discount resulted in a value greater than the value of the debt and as such, the total discount was limited to the value of the debt balance of $183,333. Therefore, the debt discount related to the Beneficial Conversion Feature was in the amount of $144,666. The excess value of the Beneficial Conversion Feature discount was recognized as a loss in earnings and recorded as an interest expense in the amount of $390,666 and will be amortized through Maturity of Note Five. The debt discounts will be amortized to interest expense over the life of the note.

On February 13, 2017, the Company entered into a $25,000 10% Fixed Secured Convertible Promissory Note ("Note Six") with a fourth investor (the "Four Investor"). The Fourth Investor provided the Company with $25,000 in cash, which was received by the Company during the period ended March 31, 2017. The Company promised to pay the principal amount, together with guaranteed interest at the annual rate of 10%, with principal and accrued interest on Note Six due and payable on September 13, 2017. The principal balance of Note Six was convertible at the election of the Fourth Investor, in whole or in part, at any time or from time to time, into the Company's common stock at $6.10 per share. Note Six became effective on February 14, 2017 upon the execution by the Company and the Holder of numerous exhibit documents.

The Company evaluated Note Six in accordance with ASC 815 to determine if the conversion feature should be bifurcated and accounted for at fair value and remeasured at fair value in income. The Company determined that the conversion feature did not meet the requirements for bifurcation pursuant to ASC 815. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception and determined that Note Six did not have a beneficial conversion feature. As a result, the Company recorded the conventional convertible note as a debt instrument in its entirety. The interest expense associated with Note Six was $536 for the period ended March 31, 2017.

On April 26, 2017, the Company entered into a $100,000 10% Secured Convertible Promissory Note ("Note Seven") with a fourth investor (the "Fourt Investor"). The Fourth Investor provided the Company with $72,000 in cash proceeds, which was received by the Company during the three months ended June 30, 2017. Note Seven is due on October 26, 2017 and the Company must pay guaranteed interest on the principal balance at an amount equivalent to 10% of the note amount. The principal balance of Note Seven is convertible at the election of the Fourth Investor, in whole or in part, at any time or from time to time, into the Company's common stock at the lower of $1.00 or a 50% discount to the lowest closing bid price of the Company's common stock for the 30 Trading Days prior to conversion. In conjunction with Note Seven, the Company issued a warrant to the fourth investor to purchase 150,000 shares of the Company's common stock at $1.00 per share.

On November 16, 2017, the Company amended Notes Five, Six, and Seven ("the Amended Notes") with the Fourth Investor. All three notes shall have maturity dates that are six months from November 16, 2017, shall convert at a 40% discount to the lowest one-day Volume Average Weighted Price ("VWAP") during the 30 trading days preceding such conversion, shall incur interest at an annual rate of 5%, and shall be prepayable at any time at 110% of the unpaid principal and accrued interest balances. The amendment of Note Six and Seven included terms, permitting the Company the option to tender payment in full on or before November 21, 2017, at a 15% discount of the amended principal amounts. At November 16, 2017, the principal amounts of Note Five, Six and Seven were $281,900, $38,441 and $131,107, respectively. On November 21, 2017, the Company paid the remaining principal balance, at the 15% discount on Notes Six and Seven in the amount of $144,259.

On May 16, 2018, the Company amended Note Five ("Second Amendment") with the Fourth Investor. The Second Amendment states that Note Five shall have a maturity of November 16, 2018 and shall be prepayable at any time at 120% of the unpaid principal and accrued interest balance. The principal amount as of the date of the Second Amendment was $112,305.

The Company evaluated Note Five in accordance with ASC 480, Distinguishing Liabilities from Equity and determined the Note Five will be accounted for as a liability initially measured at fair value and subsequently at fair value with changes in fair value recognized in earnings. As of December 31, 2018 and 2017, the fair value of Note Five was $187,177 and $812,393, respectively. Therefore, the Company recorded a gain (loss) to the change in fair value of $450,216 and $(530,493) related to Note Five for the years ended December 31, 2018 and 2017, respectively.

13. Related Party Transactions

Advances from Related Parties

The Company has a loan outstanding from a former Company executive. The advance does not accrue interest and has no definite repayment terms. The loan balance was $45,250 and $124,750 for the years ended December 31, 2018 and 2017, respectively.

Convertible Note Payable

On March 11, 2016, the Company entered into an Unsecured Convertible Promissory Note ("Note Eight") with Paul Hodges, a Director of the Company (the "Related Party Holder"). The Related Party Holder provided the Company with $150,000 in cash, and the Company promised to pay the principal amount together with interest at an annual rate of 7%, with principal and accrued interest on Note Eight due and payable on December 31, 2017 (unless converted under terms and provisions as set forth below). The principal balance of Note Eight was convertible at the election of the Related Party Holder, in whole or in part, at any time or from time to time, into the Company's common stock at a forty percent (40%) discount to the average market closing price for the previous five (5) trading days, preceding the date of conversion election. The Company evaluated Note Eight in accordance with ASC 480 *Distinguishing Liabilities from Equity* and determined that Note Eight will be accounted for as a liability initially measured at fair value and subsequently at fair value with changes in fair value recognized in earnings.

On February 20, 2018, the Company entered into an agreement to amend Note Eight (this "Amendment") with the Related Party Holder. The Company and Holder desired to extend the maturity date of the Note to August 20, 2018. The Note was amended as follows. The Company promises to pay (i) all accrued interest on the unpaid principal amount through December 31, 2017 and (ii) $25,000 in principal within 5 business days of the date of the Amendment. The Company agrees to issue 15,000 shares of restricted Company common stock as an inducement for this amendment within 10 business days of the date of the Amendment. The principal amount of the note will be reduced to $125,000. Unless extended by the Company, converted or prepaid earlier, all unpaid principal and unpaid accrued interest on this Note shall be due and payable on August 20, 2018 (the "Maturity Date"). All provisions related to conversion of the Note into equity securities of the Company were terminated as part of this Amendment.

As of February 20, 2018, the fair value of the liability was $239,343, however due to termination of the conversion of the note into equity securities, Note Eight will be valued in its principal amount of $125,000 and accordingly the Company recorded a credit regarding the change in fair value of $93,506 and $31,068 for the years ended December 31, 2018 and 2017, respectively. The interest expense associated with Note Eight was $5,806 and $10,528 for the years ended December 31, 2018 and 2017, respectively. Note Eight was paid in full on the Maturity Date.

Warrants

In March 2016, the Company issued 960,000 shares of restricted common stock to the Related Party Holder per a subscription agreement for total proceeds of $150,000. In conjunction with the subscription agreement, the Company issued a warrant to the Related Party Holder to purchase 1,920,000 restricted shares of the Company's common stock at $0.16 per share. The Warrant Exercise Date is the later of the following to occur (i) March 9, 2017, (ii) ten (10) days after the Company's notice to the holder of the warrant that the Company shall have an effective S-1 registration with the SEC; or (iii) ten (10) days after Company's notice to the holder of the warrants that the Company has entered into an agreement for the sale of substantially all the assets or Common Stock of the Company. As of December 31, 2018, the warrants granted are not exercisable.

14. Promissory Notes

On January 30, 2017, the Company entered into an unsecured promissory note in the amount of $75,000. The unsecured promissory note has a fixed interes rate of 8% and was due and payable on June 30, 2017. In conjunction with the Series B Preferred Stock Purchase Agreement, as discussed in Note 16, th Company satisfied its liability in exchange for Series B Preferred Stock. The interest expense associated with the unsecured promissory note was $0 an $2,570 for the years ended December 31, 2018 and 2017, respectively.

On February 13, 2017, the Company entered into an unsecured promissory note in the amount of $180,000. The unsecured promissory note has a fixed interes rate of 8% and was due and payable on June 30, 2017. In conjunction with the Series B Preferred Stock Purchase Agreement, as discussed in Note 16, th Company satisfied its liability in exchange for Series B Preferred Stock. The interest expense associated with the unsecured promissory note was $0 an $2,570 for the years ended December 31, 2018 and 2017, respectively.

On August 29, 2018, the Company entered into an unsecured promissory note in the amount of $250,000. The unsecured promissory note has a fixed interes rate of 7% and is due and payable on July 31, 2019. As of December 31, 2018 the unsecured promissory note was paid off in full. The interest expense associated with the unsecured promissory note was $3,021 and $0 for the years ended December 31, 2018 and 2017, respectively.

15. Notes Payable

Notes payable consisted of the following:

	December 31,	
	2018	2017
Vehicle financing loans payable, between 4.7% and 7.0% interest and maturing between June 2022 and July 2022	$ 71,284	$ 55,890
Loans Payable - Credit Union	5,075	8,582
Less: Current portion of loans payable	(24,805)	(11,179)
Long-term portion of loans payable	$ 51,554	$ 53,293

The interest expense associated with the notes payable was $5,281 and $700 for the years ended December 31, 2018 and 2017, respectively.

16. Shareholders' Equity (Deficit)

Common Stock

Subscription Agreements

The table below reflect shares of restricted common stock issued in relation to Subscription Agreements during the year-ended December 31, 2018:

Date of Sale	Number of Shares Sold	Total Proceeds
February 2018	222,222	$ 200,000
March 2018	500,000	450,000
April 2018	500,000	450,000
May 2018	244,444	219,999
July 2018	327,777	294,999
August 2018	327,777	294,999
August 2018	183,333	164,999
September 2018	577,778	520,000
October 2018	694,444	625,000
November 2018	150,000	135,000
December 2018	222,222	200,000
	3,949,997	$ 3,554,996

The table below reflect shares of restricted common stock issued in relation to Subscription Agreements during the year-ended December 31, 2017:

Date of Sale	Number of Shares Sold	Total Proceeds
May 2017	111,111	$ 100,000
	111,111	$ 100,000

Other Common Stock Issuances

In December 2017, the Company issued 126,880 shares of restricted common stock to an investor following a cashless exercise of warrants.

In June 2018, the Company issued 38,184,985 shares of common stock as part of the BioTrackTHC acquisition.

In June and August of 2018, three selling shareholders of Security Grade exercised their right to purchase 212,633 and 14,189 shares of the Company's common stock.

In July 2018, the Company issued 200,000 shares of restricted common stock to a consultant per a consulting agreement.

In August and December 2018, the Company issued 100,000 and 25,000 shares of restricted common stock as part of an agreement entered into with an investor relation consultant.

In August 2018, the Company issued 366,700 shares of common stock as part of the Engeni US acquisition.

In December 2018, the Company issued 100,000 shares of restricted common stock to a consultant as an inducement to enter into the agreement.

Conversion of Convertible Note to Common Stock

On February 15, 2018, March 12, 2018 and March 21, 2018, the holder of a 10% fixed secured convertible promissory note issued by the Company elected their option to partially convert $50,000, $50,000 and $75,000 in principal of the convertible note into 46,066, 63,963, and 95,945 shares of the Company's common stock.

Amended Convertible Note

On February 20, 2018, the Company entered into an agreement to amend a Convertible Promissory Note with the undersigned holder initially issued to such Holder and dated March 2016. The Company and Holders desired to extend the maturity date of the Note to August 20, 2018. The holder was issued 15,000 shares of the Company's restricted common stock as part of the amendment.

The Note was amended as follows. The Company promises to pay (i) all accrued interest on the unpaid principal amount through December 31, 2017 and (ii) $25,000 in principal within 5 business days of the date of the Amendment. The Company agrees to issue 15,000 shares of restricted Company common stock as an inducement for this amendment within 10 business days of the date of the Amendment. The principal amount of the note will be reduced to $125,000. Unless extended by the Company, converted or prepaid earlier, all unpaid principal and unpaid accrued interest on this Note shall be due and payable on August 20, 2018 (the "Maturity Date"). All provisions related to conversion of the Note into equity securities of the Company are hereby deleted.

On May 16, 2018, the Company entered into a second amendment agreement of a Convertible Promissory Note with the holder of a 10% fixed secured convertible promissory note. The new Maturity Date is November 16, 2018. The new interest rate is 5%. The note is prepayable at 120% of the unpaid balance upon 10 business days' notice to the holder, which has the option to convert, in whole or in part, during the notice period. The conversion price shall be equal to a 40% discount to the lowest one-day Volume Average Weighted Price ("VWAP") during the 30 trading days preceding such conversion.

2017 Omnibus Incentive Plan

The table below reflects shares issued under the 2017 Omnibus Incentive Plan during the year-ended December 31, 2018. There were no shares issued under the 2017 Omnibus Incentive Plan during the year-ended December 31, 2017.

Date of Sale	Number of Shares Issued	Total Expense
January 2018	42,850	$ 173,014
March 2018	100,000	250,000
May 2018	133,900	223,774
July 2018	100,000	126,000
August 2018	10,000	10,600
August 2018	33,195	33,195
October 2018	20,000	20,400
November 2018	75,000	79,500
Ending Balance	514,945	$ 916,483

Series A convertible preferred stock

In October 2015, the Company issued a total of 1,000,000 shares of its Class A Preferred Stock as part of a reorganization in which Helix Opportunities LL contributed 100% of itself and its wholly-owned subsidiaries, Security Consultants Group, LLC and Boss Security Solutions, Inc. to the Company in exchang for 1,000,000 convertible preferred shares of the Company. The Class A Preferred Stock included super majority voting rights and were convertible into 60% of the Company's common stock. During the third quarter of 2017, the Company modified the conversion rate on the Class A Preferred Stock to a 1:1 ratio This modification reduced the amount of potentially dilutive Convertible Series A Stock by 15,746,127 shares to a total of 1,000,000 at September 30, 2017.

Series B convertible preferred stock

Series B Preferred Stock Purchase Agreement

On May 17, 2017, the Company sold to accredited investors an aggregate of 5,781,426 Series B Preferred Shares for gross proceeds of $1,875,000 an converted a $500,000 Unsecured Convertible Promissory Note into 1,536,658 Series B Preferred Shares. This tranche of Series B Preferred Shares a convertible into 7,318,084 shares of common stock based on the current conversion price, at a purchase price of $0.325 per share. Net proceeds were approximately $1,772,500 after legal and placement agent fees listed below and the satisfaction of the promissory notes discussed in Note 14.

In connection with the Series B Preferred Stock Purchase Agreement, the Company is obligated to issue warrants to a third-party for services to purchas 462,195 shares of common stock at $0.325 per share (see Note 18). These warrants have been accounted for as an obligation to issue because as of the balance sheet date the Company did not deliver the warrants though incurred the obligation; accordingly, they were recognized as a liability on the consolidated balance sheet and cost of issuance of Series B preferred shares of $1,941,633 on the consolidated statement of shareholders' equity (deficit).

The table below reflects the shares issued under the Series B Preferred Purchase Agreement of the initial tranche, Second Series B Purchase Agreement an the various issuances under the Third Series B Purchase Agreement during the year-end December 31, 2017:

Date of Sale	Number of Shares Sold	Total Proceeds
Initial		
May 2017	7,318,084	$ 1,875,000
Second		
July 2017	1,680,000	840,000
Third		
August 2017	369,756	120,000
September 2017	462,195	150,000
October 2017	462,195	150,000
October 2017	1,042,337	557,500
December 2017	2,449,634	795,000
Ending Balance	13,784,201	$ 4,487,500

Series B Preferred Stock

In accordance with the Certificate of Incorporation, there were 9,000,000 authorized Series B Preferred Stock at a par value of $ 0.001. In connection with th Series B Preferred Stock Purchase Agreement, on May 12, 2017, the Company filed a Certificate of Designation (the "Certificate of Designations") with th Secretary of State of the State of Delaware to designate the preferences, rights and limitations of the Series B Preferred Shares. On August 23, 2017 th Certificate of Designations was amended and restated to increase the number of shares of Series B Preferred Stock authorized to be 17,000,000.

Conversion:

Each Series B Preferred Share is convertible at the option of the holder at any time on or after May 12, 2018 into such number of shares of the Company' common stock equal to the number of Series B Preferred Shares to be converted, multiplied by the Preferred Conversation Rate. The Preferred Conversio Rate shall be the quotient obtained by dividing the Preferred Stock Original Issue Price ($0.3253815) by the Preferred Stock Conversation Price in effect at th time of the conversion (the initial conversion price will be equal to the Preferred Stock Original Issue Price, subject to adjustment in the event of stock splits stock dividends, and fundamental transactions). Based on the current conversion price, the Series B Preferred Shares are convertible into 13,784,201 shares o common stock. A fundamental transaction means: (i) our merger or consolidation with or into another entity, (ii) any sale of all or substantially all of our assets in one transaction or a series of related transactions, (iii) any reclassification of our Common Stock or any compulsory share exchange by which Commor Stock is effectively converted into or exchanged for other securities, cash or property; or (iv) sale of shares below the preferred stock conversion price. Each Series B Preferred Share will automatically convert into common stock upon the earlier of (i) notice by the Company to the holders that the Company ha elected to convert all outstanding Series B Preferred Shares at any time on or after May 12, 2018; or (ii) immediately prior to the closing of a firmly underwritten initial public offering (involving the listing of the Company's Common Stock on an Approved Stock Exchange) pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of the Common Stock for the account of the Company in which the ne cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least fifty million dollars ($50,000,000).

Beneficial Conversion Feature – Series B Preferred Stock (deemed dividend):

Each share of Series B Preferred Stock is convertible into shares of common stock, at any time at the option of the holder at any time on or after May 12 2018. On May 17, 2017, the date of issuances of the Series B, the publicly traded common stock price was $3.98.

Based on the guidance in ASC 470-20-20, the Company determined that a beneficial conversion feature exists, as the effective conversion price for the Series B preferred shares at issuance was less than the fair value of the common stock into which the preferred shares are convertible. A beneficial conversion feature based on the intrinsic value at the date of issuances for the Series B preferred shares is scheduled below. For the year ended December 31, 2018, the beneficial conversion amount of $22,202,194 was accreted back to the preferred stock as a deemed dividend and charged to additional paid in capital in the absence of earning as the beneficial conversion feature is amortized over time through the earliest conversion date, May 12, 2018. As of December 31, 2018, the beneficial conversion feature was fully amortized. Provided below is a schedule of the issuances of Series B preferred shares and the amount accredited to deemed dividend at December 31, 2018.

For the Year Ended December 31, 2018						
Issuance Date	Beneficial Conversion Feature Term (months)	Number of shares	Fair Value of Beneficial Conversion Feature	Amount accreted as a deemed dividend at December 31, 2017	Amount accreted as a deemed dividend for the Year Ended December 31, 2018	Unamortized Beneficial Conversion Feature
May 17, 2017	12	7,318,084	$ 25,247,098	$ (15,779,436)	$ (9,467,661)	$ -
July 29, 2017	9.5	1,680,000	6,804,000	(3,674,634)	(3,129,366)	-
August 29, 2017	8.5	369,756	1,148,263	(556,190)	(592,073)	-
September 15, 2017	8	462,195	1,435,329	(648,601)	(786,728)	-
October 11, 2017	7	462,195	1,121,036	(426,309)	(694,727)	-
October 31, 2017	6.5	1,042,337	1,735,641	(548,570)	(1,187,071)	-
December 19, 2017	5	2,449,634	6,921,348	(576,780)	(6,344,568)	-
Total		13,784,201	$ 44,412,715	$ (22,210,520)	$ (22,202,194)	$ -

Dividends, Voting Rights and Liquidity Value:

Pursuant to the Certificate of Designations, the Series B Preferred Shares shall bear no dividends, except that if the Board shall declare a dividend payabl upon the then-outstanding shares of the Company's common stock. The Series B Preferred Shares vote together with the common stock and all other classe and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company including, but not limited to, actions amending the certificate of incorporation of the Company to increase the number of authorized shares of the common stock. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series B Preferred Shares are entitled to (i) first receive distributions out of our assets in an amoun per share equal to the Stated Value plus all accrued and unpaid dividends, whether capital or surplus before any distributions shall be made on any shares of common stock and (ii) second, on an as-converted basis alongside the common stock.

Classification:

These Series B Preferred Shares are classified within permanent equity on the Company's consolidated balance sheet as they do not meet the criteria tha would require presentation outside of permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

17. Stock Options

As part of the Membership Interest Purchase Agreement entered into between the Company and Security Grade, on June 2, 2017 (see Note 6), the Compar granted to the selling Members the option to purchase up to 414,854 shares of the Company's common stock at a price of $0.001 per share. Of the 414,854 options granted, 207,427 were vested at closing and equity classified. The vesting of the remaining 207,427 shares were subject to certain milestones being achieved and was initially recognized as contingent consideration, both a component of purchase price. As a result of the milestones being met during the third quarter of 2017, the remaining 207,427 shares have also vested. The options have an expiration date of 36 months from the closing date. The exercise price wil be based on the fair market value of the share on the date of grant.

On March 15, 2018 the Company awarded Zachary Venegas two options to purchase a total of 490,000 shares of the Company's common stock at prices ranging from $1.90 to $2.09 per share. These options vested on April 30, 2018 and have expiration dates ranging from March 2023 to March 2028.

The fair value of the stock options was estimated using the Black-Scholes option pricing model, and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgement. The assumptions at the inception date are as follows:

	March 28, 2018 to December 31, 2018	June 2, 2017 to December 31, 2017
Exercise Price	$ 1.90 to $2.09	$ 0.001
Fair value of company's common stock	$ 0.90 to $1.90	$ 3.00 to $4.42
Dividend yield	0%	0%
Expected volatility	186.64% to 253.52%	179.9% to 266.4%
Risk free interest rate	2.35% to 2.59%	1.42% to 1.98%
Expected life (years) remaining	4.24 to 10.00	2.42 to 3.00

On March 6, 2018, the Company filed a lawsuit in the United States Court for the District of Colorado alleging violations in previously disclosed representation and warranties by the plaintiff as part of the Acquisition. Following the appointment of a registered Public Company Accounting Oversight Board ("PCAOB" auditor, certain misrepresentations, primarily surrounding the misclassification of certain revenues as being recurring, were discovered, artificially inflating the price of the membership interest in Security Grade. As a result of the settlements with the selling shareholders, 80,979 options previously issued as part of the acquisition were cancelled.

As part of the Merger Agreement entered into between the Company and BioTrackTHC, on June 1, 2018 (see Note 6), the Company assumed th BioTrackTHC Stock Plan, pursuant to which options exercisable at prices between $0.001 to $1.66 per share for 8,132,410 shares of Company common stoc are outstanding so that the BioTrackTHC stockholders owned approximately 48% of the Company on a fully diluted basis as of the BioTrackTHC Closir Date Stock option activity for the years ended December 31, 2018 and 2017 is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2017	-		
Granted	414,854	$ 0.001	3.00
Forfeited and expired	-	-	
Exercised	-	-	
Outstanding at January 1, 2018	414,854	$ 0.001	2.42
Granted	490,000	$ 1.916	8.84
Options assumed pursuant to acquisition – BioTrackTHC Stock Plan	3,841,492	$ 0.790	1.84
Options assumed pursuant to acquisition – Management Awards	4,290,918	$ 0.439	2.34
Exercised	(226,822)	$ 0.001	1.50
Forfeited and expired	(80,979)	$ 0.001	
Outstanding at December 31, 2018	8,729,463	$ 0.671	2.44
Vested options at December 31, 2018	8,466,285	$ 0.600	2.05

18. Warrants

On February 13, 2017, the Company entered into a $183,333 Fixed secured Convertible Promissory Note ("Note Five") with a fourth investor (the "Four Investor"). The Fourth Investor provided the Company with $166,666 in cash, which was received by the Company during the quarter ended March 31, 2017 The additional $16,666 was retained by the Fourth Investor for due diligence and legal bills for the transaction. In conjunction with Note Five, the Compan issued a warrant, of which the value was derived and based off the fair value of Note Five, to the fourth investor to purchase 25,000 shares of the Company's common stock at $1.00 per share. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after February 14, 2017 and on or before February 12, 2022, by delivery to the Company of the Notice of Exercise. On December 11, 2017, the investo exercised their purchase right in a net settlement cashless exercise.

In connection with the issuance of the Note Seven the Company issued a warrant (the "Warrant") to the Purchaser to purchase 150,000 shares of Commor Stock pursuant to the terms and provisions thereunder. The Warrant is exercisable at any time within five (5) years of issuance and entitles the Purchaser to purchase 150,000 shares of the Common Stock at an exercise price of the lesser of either i) $1.00 or ii) a 50% discount to the lowest closing bid price thirty (30) trading days immediately preceding conversion, subject to certain adjustments.

Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after April 26, 2017 and on or before April 26, 2022, by delivery to the Company of the Notice of Exercise. On December 11, 2017, the investor exercised their purchase right in a net settlemen cashless exercise.

During the year ended December 31, 2018, the Company entered into a Graduated Lock-Up Letter to induce the entering into of a consulting agreement i exchange for 50,000 shares of the Company's common stock and the granting of 575,000 warrants for the purchase of common stock of the Company. The company recognized compensation expense of $943,000 for the year ended December 31, 2018 relating to the granting of the new warrants.

On December 12, 2018, the Company sold an aggregate of 222,222 units (the "December 2018 Units") of the Company's securities to Conifer Insuranc Company ("Conifer") at a purchase price of $0.90 per unit for total proceeds of $200,000. Each December 2018 Unit consists of one share of the Company's common stock and a warrant ("December Warrant") exercisable to purchase one half of one share of common stock of the Company. As of December 31, 2018, the warrants granted were not exercised.

Each December Warrant is exercisable at any time on or after 90 days from the issuance date until the four-year anniversary issuance date. Each Decembe Warrant is exercisable at a price of $1.25 per one half of one share of common stock (thereby requiring the exercise of two warrants to purchase one share of common stock).

The December Warrants were recorded as a component of shareholders' equity (deficit) and the company recognized compensation expense of $108,000 for the year ended December 31, 2018 relating to the granting of the new warrants.

A summary of warrant activity is as follows:

For the Year Ended December 31, 2018	Warrant Shares	Weighted Average Exercise Price
Balance at beginning of the period, January 1, 2017	1,920,000	$ 0.16
Warrants granted	987,073	$ 0.41
Warrants exercised	(175,000)	
Balance at January 1, 2018	2,732,073	$ 0.23
Warrants granted	686,111	$ 0.21
Balance at December 31, 2018	3,418,184	$ 0.23

Warrant Obligations

In connection with the Series B Preferred Stock Purchase Agreement (See Note 16), the Company is obligated to issue warrants to a third-party to purchas 812,073 shares of common stock at $0.325 per share for services rendered. These warrants have been accounted for as warrant obligations and are recognized as a liability on the Consolidated Balance Sheets as of December 31, 2018 and 2017. For the years ended December 31, 2018 and 2017, th Company recorded a credit and a charge in the change in fair value of the warrant obligations of $1,625,398 and $590,436, respectively, and is reflected in the Consolidated Statements of Operations, other income (expenses). Although the Company issued warrants during the first quarter of 2018, the rights entitled t the third-party holder of the warrants to purchase shares of the Company's common stock was not exercised. Upon exercising the right to purchase the Company's common stock by the third-party, the Company will de-recognize the liability for warrant obligations and reclassify the appropriate amount into equity.

The fair value of the Company's obligation to issue warrants was calculated using the Black-Scholes model and the following assumptions:

	As of December 31, 2018	As of December 31, 2017	As of May 17, 2017
Fair value of company's common stock	$ 0.90	$ 3.00	$ 3.98
Dividend yield	0%	0%	0%
Expected volatility	175.0%	266.4%	181.2%
Risk free interest rate	2.49%	1.98%	1.42%
Expected life (years)	1.65	2.65	3.00
Fair value of financial instruments - warrants	$ 804,171	$ 2,429,569	$ 1,839,133

The change in fair value of the financial instruments – warrants is as follows:

	Amount
Balance as of January 1, 2017	$ -
Fair value of warrants at date of inception	1,839,133
Change in fair value of liability to issue warrants	590,436
Balance as of January 1, 2018	$ 2,429,569
Change in fair value of liability to issue warrants	$ (1,625,398)
Balance as of December 31, 2018	$ 804,171

19. Stock-Based Compensation

2017 Omnibus Incentive Plan

The Company's 2017 Omnibus Incentive Plan (the "2017 Plan") was adopted by our Board of Directors and a majority of our voting securities on October 1 2017. The 2017 Plan permits the granting of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and dividend equivalent rights to eligible employees, directors and consultants. We grant options to purchase shares of common stock under the 2017 Plan at no less than the fair value of the underlying common stock as of the date of grant. Options granted under the Plan have a maximum term of ten years. Under the Plan, a total of 5,000,000 shares of common stock are reserved for issuance, of which options to purchase 490,000 shares of common stock and 514,945 shares of common stock were granted.

Bio-Tech Medical Software, Inc. 2014 Stock Incentive Plan

On October 22, 2014, BioTrackTHC approved and adopted the BioTrackTHC Stock Plan. The BioTrackTHC Stock Plan set aside and reserved 600,0 shares of BioTrackTHC's common stock for grant and issuance in accordance with its terms and conditions. Persons eligible to receive awards from the BioTrackTHC Stock Plan include employees (including officers and directors) of BioTrackTHC or its affiliates and consultants who provide significa services to BioTrackTHC or its affiliates (the "Grantees"). The BioTrackTHC Stock Plan permits BioTrackTHC to issue to Grantees qualified and/or n qualified options to purchase BioTrackTHC's common stock, restricted common stock, performance units, and performance shares. The term of each award under the BioTrackTHC Stock Plan shall be no more than ten years from the date of grant thereof. BioTrackTHC's Board of Directors or a committe designated by the Board of Directors is responsible for administration of the BioTrackTHC Stock Plan and has the sole discretion to determine which Grantee will be granted awards and the terms and conditions of the awards granted. The BioTrackTHC Stock Plan will annually increase the number of shares o common stock authorized for issuance thereunder to 15% of the Company's common stock outstanding as of the first day of each calendar year beginning January 1, 2016 (see Note 6 and 17).

BioTrackTHC Management Awards

On September 1, 2015 and November 1, 2015, BioTrackTHC's Board approved individual employee option grants (the "Executive Grants") for thre executives (the "Executives"). Pursuant to the Executive Grants, the Executives were each granted stock options to purchase 146,507 shares (totaling 439,52 shares) of BioTrackTHC's common stock (the "Option") at an exercise price equal to approximately $7.67. The options vest as to 25% of the shares subjec to the Options, one year after the date of grant and then in equal quarterly installments for the three years thereafter, subject to the Executive's continued employment with BioTrackTHC (see Note 6 and 17).

20. Income Taxes

No provision for U.S. federal or state income taxes has been recorded as the Company has incurred net operating losses since inception. Significan components of the Company's net deferred income tax assets for the years ended December 31, 2018 and 2017 consist of income tax loss carryforwards. These amounts are available for carryforward for use in offsetting taxable income of future years through 2035. Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carry-forward period. Utilization of the net operating loss carry-forwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. Due to the Company's history of operating losses, these deferred tax assets arising from the future tax benefits are currently not likely to be realized and are thus reduced to zero by an offsetting valuation allowance. As a result, there is no provision for income taxes.

For the years ended December 31, 2018, and 2017, the Company has a net operating loss carry forwards of approximately $12,686,000 and $7,380,000 respectively. Utilization of these net loss carry forwards is subject to the limitations of Internal Revenue Code Section 382. The Company applied a 100% valuation reserve against the deferred tax benefit as the realization of the benefit is not certain.

21. Commitments and Contingencies

The Company is obligated under operating lease agreements for office facilities in Colorado, Florida, Washington and Hawaii, which expire in February and March 2021.

Rent expense incurred under the Company's operating leases amounted to $362,607 and $68,138 during the years ended December 31, 2018 and 2017, respectively.

Future minimum payments of the Company's operating leases are as follows:

Years Ending December 31,	Future Minimum Lease Payments
2019	$ 473,495
2020	420,291
2021	275,223
2022	198,144
2023	199,144
Thereafter	205,135
Total	$ 1,771,432

22. Segment Reporting

FASB ASC 280-10-50 requires use of the "management approach" model for segment reporting. The management approach is based on the way a company's management organized segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision–making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision–making group is composed of the Chief Executive Officer. The Company operates in three segments, Security and guarding, Systems installation and Software.

Asset information by operating segment is not presented below since the chief operating decision maker does not review this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company's consolidated financial statements.

The following represents selected information for the Company's reportable segments:

	For the Years Ended December 31,	
	2018	2017
Security and guarding		
Revenue	$ 4,889,472	$ 4,029,800
Cost of revenue	3,618,173	2,885,459
Gross profit	1,271,299	1,144,341
Total operating expenses (1)	10,545,306	4,927,623
Loss from operations	(9,274,007)	(3,783,282)
Total other income (expense)	2,257,285	(6,882,705)
Total net loss	$ (7,016,722)	$ (10,665,987)
Systems installation		
Revenue	$ 499,138	$ -
Cost of revenue	531,567	-
Gross profit	(32,429)	-
Total operating expenses	168,159	-
Loss from operations	(200,588)	-
Total other expense	(273,642)	-
Total net loss	$ (474,230)	$ -
Software		
Revenue	$ 4,174,963	$ -
Cost of revenue	1,819,299	-
Gross profit	2,355,664	-
Total operating expenses	3,046,390	-
Loss from operations	(690,726)	-
Total other income	98	-
Total net loss	$ (690,628)	$ -

(1) Total operating expenses for the years ended December 31, 2018 and 2017 contained certain corporate expenditures totaling $8,891,677 and $3,435,626, respectively, which benefit all segments of the business but are not specifically allocable to any one segment.

23. Subsequent Events

On February 25, 2019, the Company issued a press release announcing that Vicente Fox Quesada has agreed to join the Company's board of directors.

Issuance of Promissory Note

On January 3, 2019, the Company entered into an unsecured promissory note in the amount of $280,000. The unsecured promissory note has a fixed interes rate of 10% per annum and is due and payable upon the maturity date of March 31, 2019. On March 2, 2019, the unsecured promissory note was paid in full.

Issuance of Investment Units

From January 10, 2019 to March 5, 2019, the Company sold an aggregate of 1,255,222 units (the "RC Units") of the Company's securities to RC Feeder I LLC ("RC") at a purchase price of $0.90 per unit for total proceeds of $1,129,700. Each RC Unit consists of one share of the Company's common stock an a warrant ("RC Warrant") exercisable to purchase one half of one share of common stock of the Company.

Each RC Warrant is exercisable at any time on or after 90 days from the issuance date until the four-year anniversary issuance date. Each RC Warrant is exercisable at a price of $1.25 per one half of one share of common stock (thereby requiring the exercise of two warrants to purchase one share of common stock).

Acquisition of Green Tree International, Inc.

On February 5, 2019, the Company and its wholly owned subsidiary, Merger Sub, entered into an Agreement and Plan of Merger (the "Amercanex Merge Agreement") with Green Tree International, Inc., a corporation incorporated under the laws of the state of Colorado operating under the tradename "Amercanex International Exchange" ("Amercanex"). Pursuant to the Amercanex Merger Agreement, subject to the satisfaction or waiver of specifie conditions, Merger Sub will merge with and into Amercanex, with Amercanex surviving the merger as a wholly-owned subsidiary of the Company.

Issuance of Common Stock

In February 2019, the Company issued 100,000 shares of the Company's common stock registered under the 2017 Omnibus Stock Incentive Plan to a employee of the Company.

In March 2019, the Company issued 250,000 shares of the Company's common stock registered under the 2017 Omnibus Stock Incentive Plan to selec employees of the Company.

In March 2019, certain option holders exercised their rights under the BioTrackTHC Stock Plan and were issued 62,847 shares for total proceeds o approximately $20,000.

Purchase Agreements

On March 1, 2019, the Company entered into two securities purchase agreementsin substantially the same form pursuant to which the Company agreed to sell secured convertible promissory notes (the "Convertible Notes") and common stock purchase warrants (the "Warrants") for an aggregate cash purchase price of $1,950,000 (collectively, the "Purchase Agreements").

The Convertible Notes have an initial aggregate principal balance of $1,950,000 and bear interest at a rate of 25% per annum, payable by the Company half in cash and half in kind on a quarterly basis. The Convertible Notes mature on March 1, 2020. Upon certain events, the Convertible Notes will convert into share of the Company's common stock at a per share conversion price equal to the lesser of (a) $0.90 and (b) a 30% discount to the Company's 30-day weighted average listed price per share immediately before the date of conversion. The Convertible Notes have other features, such as adjustments to the conversion price under certain circumstances.

The Warrants are exercisable for five years to purchase up to an aggregate of 696,430 shares of the Company's common stock at a price of $1.40 per share. The Warrants have anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of the company's common stock at a lower price, subject to certain exceptions.

In connection with the Purchase Agreement, on March 1, 2019, the Company entered into a Security Agreement (the "Security Agreement") and a Pledg Agreement (the "Pledge Agreement") pursuant to which all of its obligations to repay the Convertible Note is secured by all the assets of the Company, as further defined in the Security Agreement (the "Collateral"), and guaranteed by its subsidiaries (collectively, the "Guarantors") pursuant to a subsidiary guaranty agreement (the "Subsidiary Guaranty Agreement") executed by the Guarantors and acknowledged by the Company in favor of the investors Pursuant to the Subsidiary Guaranty Agreement, the Guarantors jointly and severally, unconditionally and irrevocably, guarantee to the investors and their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance when due, of all obligations under the Convertible Notes and the Security Agreement.

On March 11, 2019, the Company entered into three common stock purchase warrant agreements in substantially the same form pursuant to which the Company agreed to sell common stock purchase warrants for an aggregate cash purchase price of $90,000.

The Warrants are exercisable for three years to purchase up to an aggregate of 100,000 shares of the Company's common stock at a price of $0.90 per share. The Warrants have anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of the company's common stock at a lower price, subject to certain exceptions.

Conversion of Convertible Note to Common Stock

On March 7, 2019, the holder of a 10% fixed secured convertible promissory note issued by the Company elected their option to partially convert $75,882 in principal of the convertible note into 100,000 shares of the Company's common stock.

Executive Employment Agreements

On March 19, 2019, the Company entered into an executive Employment Agreement (the "Venegas Employment Agreement") with Zachary L. Venegas, its Chief Executive Officer and Executive Chairman of the Company's board of directors (the "Board").

The Venegas Employment Agreement provides that Mr. Venegas's employment is "at-will." Under the terms of the Venegas Employment Agreement, the Company must pay Mr. Venegas a salary at a rate of not less than $200,000 per year to continue as Chief Executive Officer and Executive Chairman of the Board. Mr. Venegas is also eligible to receive an annual bonus targeted at 50% of his base salary, plus stock options for the right to purchase up to 500,000 shares of our common stock, beginning with the 2018 calendar year. Mr. Venegas's eligibility for the cash and equity bonus is based upon the achievement of pre-established individual and Company objectives, as set forth in the Venegas Employment Agreement and as determined by the Board.

The Venegas Employment Agreement provides that if Mr. Venegas resigns from the Company, he can choose to remain Executive Chairman of the Board, so long as he beneficially owns a minimum of 20% of the shares he held as of the date of the Venegas Employment Agreement. The Venegas Employment Agreement also provides that if Mr. Venegas's employment is terminated by the Company without Cause (as defined in the Venegas Employment Agreement) or Mr. Venegas resigns for Good Reason (as defined in the Venegas Employment Agreement), provided that Mr. Venegas signs a release of claims, he will be entitled to the following separation benefits: (i) continued payment of his then-current base salary for a period of 18 months; (ii) he may sell to the Company at the trailing 10 day VWAP shares of Company stock sufficient to generate proceeds equal to the difference between $800,000 and the cumulative amounts received by him from all previous sales he has made of Company stock, and (iii) all outstanding options to purchase common stock of the Company then held by Mr. Venegas, to the extent unvested, will vest ratably by month for 18 months and any unexercised options will expire 21 months after termination, subject to certain limitations to the extent the options are designated as non-statutory stock options.

The Venegas Employment Agreement also includes certain non-competition and non-solicitation of customer and employee restrictions during Mr. Venegas's employment and for a period of 18 months following any termination of employment, in addition to other customary terms, including provisions covering confidentiality and non-disclosure obligations, return of Company property, and assignment of inventions covenants.

On March 19, 2019, the Company entered into an executive Employment Agreement (the "Ogur Employment Agreement") with Scott M. Ogur, its Chie Financial Officer and a member of the Board.

The Ogur Employment Agreement provides that Mr. Ogur's employment is "at-will." Under the terms of the Ogur Employment Agreement, the Compan must pay Mr. Ogur a salary at a rate of not less than $180,000 per year, effective as of January 1, 2019, to continue as Chief Financial Officer and a membe of the Board. Mr. Ogur is also eligible to receive an annual bonus targeted at 50% of his base salary, plus stock options for the right to purchase up to 300,000 shares of our common stock, beginning with the 2018 calendar year. Mr. Ogur's eligibility for the cash and equity bonus is based upon the achievement of pre-established individual and Company objectives, as set forth in the Ogur Employment Agreement and as determined by the Board.

The Ogur Employment Agreement provides that if Mr. Ogur resigns from the Company, he can choose to remain a member of the Board, so long as he beneficially owns a minimum of 70% of the shares he held as of the date of the Ogur Employment Agreement. The Ogur Employment Agreement also provides that if Mr. Ogur's employment is terminated by the Company without Cause (as defined in the Ogur Employment Agreement) or Mr. Ogur resigns for Good Reason (as defined in the Ogur Employment Agreement), provided that Mr. Ogur signs a release of claims, he will be entitled to the following separation benefits: (i) continued payment of his then-current base salary for a period of 12 months; (ii) he may sell to the Company at the trailing 10 day VWAP shares of Company stock sufficient to generate proceeds equal to the difference between $800,000 and the cumulative amounts received by him from all previous sales he has made of Company stock, and (iii) all outstanding options to purchase common stock of the Company then held by Mr. Ogur, to the extent unvested, will vest ratably by month for 12 months and any unexercised options will expire 15 months after termination, subject to certain limitations to the extent the options are designated as non-statutory stock options.

The Ogur Employment Agreement also includes certain non-competition and non-solicitation of customer and employee restrictions during Mr. Ogur's employment and for a period of 18 months following any termination of employment, in addition to other customary terms, including provisions covering confidentiality and non-disclosure obligations, return of Company property, and assignment of inventions covenants.

Exhibit 4.4

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is dated as of March 1, 2019 by and among Helix TCS, Inc. (the "Compa and each Person defined on the signature pages hereto (together with their respective successors and assigns, each an "Investor" and collectively, the "Investors").

WHEREAS, the Company has agreed to provide certain registration rights to the Investors in order to induce the Investors to enter into that certa Securities Purchase Agreement by and among the Company and the Investors dated as of March 1, 2019 (the "Purchase Agreement").

Now, therefore, in consideration of the mutual promises and the covenants as set forth herein, the parties hereto hereby agree as follows:

1. **Definitions**. Unless the context otherwise requires, capitalized terms used herein without definition and defined in the Purchase Agreement are used herein as defined therein. Notwithstanding the foregoing, as used herein the capitalized words and terms defined in this Section 1 shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined:

"Agreement" means this Registration Rights Agreement, as the same may be amended, modified or supplemented in accordance with the terms hereof.

"Board" means the Board of Directors of the Company.

"Common Stock" means the Company's authorized common stock, as constituted on the date of this Agreement, any stock into which such Common Stock may thereafter be changed and any stock of the Company of any other class, which is not preferred as to dividends or assets over any other class of stock of the Company and which is not subject to redemption, issued to the holders of shares of such Common Stock upon any re-classification thereof.

"Commission" means the Securities and Exchange Commission or any other governmental body at the time administering the Securities Act.

"Company" has the meaning assigned to it in the introductory paragraph of this Agreement.

"Company Securities" has the meaning any securities proposed to be sold by the Company for its own account in a registered public offering.

"Event" has the meaning assigned to it in Section 2(b) of this Agreement.

"Event Date" has the meaning assigned to it in Section 2(b) of this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934 (or successor statute).

"Excluded Forms" means registration statements under the Securities Act on Forms S-4 and S-8 or any successors thereto and any form used i connection with an initial public offering of securities.

"Fair Market Value" shall mean: (i) if the Principal Market for such securities is a national securities exchange, or the OTCQB or OTCQX (or similar system then in use), the last reported sales price on the Principal Market on the Event Date or if the Event Date is not a Trading Day, the Trading Da immediately prior to such an Event Date; or (ii) if (i) is not applicable, and if bid and ask prices for shares of Common Stock are reported by the Principa Market or the OTC Pink (or successor system), the average of the high bid and low ask prices so reported on the Event Date or if the Event Date is not Trading Day on the Trading Day immediately prior to such Event Date. Notwithstanding the foregoing, if there is no last reported sales price or bid and asl prices, as the case may be, for the day in question, then Fair Market Value shall be determined as of the latest day prior to such day for which such last reported sales price or bid and ask prices, as the case may be, are available, unless such securities have not been traded on an exchange or in the over-the-counter market for 30 or more days immediately prior to the day in question, in which case the Fair Market Value shall be determined in good faith by, and reflected in a formal resolution of, the Board.

"Filing Date" has the meaning assigned to it in Section 2(a) of this Agreement.

"Investors" has the meaning assigned to it in the introductory paragraph of this Agreement.

"Person" includes any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company and other entity and any government, governmental agency, instrumentality or political subdivision.

"Purchase Agreement" has the meaning assigned to it in the Recitals of this Agreement.

The terms "register" "registered" and "registration" refer to a registration effected by preparing and filing a registration statement on other than any of the Excluded Forms in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registrable Securities" means (i) the Common Stock to be acquired by the Investors pursuant to the conversion of the Notes and exercise of th Warrants and any other shares of Common Stock subsequently acquired by the Investors, and (ii) any securities of the Company issued with respect to such Common Stock by way of any stock dividend or stock split or in connection with any merger, combination, recapitalization, share exchange, consolidation, reorganization or other similar transaction.

"Representatives" means all shareholders, officers, directors, members, managers, partners, employees and agents.

"Rule 144" has the meaning assigned to it in Section 7 of this Agreement.

"Selling Expenses" means all selling commissions, finder's fees and stock transfer taxes applicable to the Registrable Securities registered by the Investors and all fees and disbursements of counsel for the Investors.

"Securities Act" means the Securities Act of 1933 (or successor statute), as amended.

2. **Piggyback Registration.**

(a) Each time the Company proposes for any reason to register any of its Common Stock under the Securities Act in connection with the proposed offer and sale of its Common Stock for money for its own account and/or for stockholders of the Company for their accounts (the "Proposed Registration"), other than pursuant to a registration statement on Excluded Forms, the Company shall promptly give written notice of such Proposed Registration to the Investors and shall offer the Investors the right to request inclusion of their Registrable Securities in the Proposed Registration. Such notice shall describe the amount and type of securities to be included in the Proposed Registration, the intended method(s) of distribution and the name of the proposed managing underwriters, if any.

(b) Each of the Investors shall have 30 days from the receipt of such notice to deliver to the Company a written request specifying the number of shares of the Registrable Securities such Investor intends to sell in the Proposed Registration and the Investor's intended method of disposition.

(c) In the event that the Proposed Registration by the Company is, in whole or in part, an underwritten public offering, the Company shall so advise the Investors as part of the written notice given pursuant to Section 2(a), and any request under Section 2(b) must specify that each Investor's Registrable Securities be included in the underwriting on the same terms and conditions as the shares of Common Stock, if any, otherwise being sold through underwriters under such registration.

(d) Upon receipt of a written request pursuant to Section 2(b), the Company shall promptly cause all such shares of Registrable Securities held by the Investors to be registered under the Securities Act (and included in any related qualifications under blue sky laws or other compliance), to the extent required to permit sale or disposition as set forth in the Proposed Registration.

(e) In the event that the offering is to be an underwritten offering, if the Investors propose to distribute their shares of Registrable Securities through such underwritten offering, then, the Investors agree to enter into an underwriting agreement with the underwriter or underwriters selected for such underwriting by the Company, provided that such underwriting agreement contains customary terms and provisions and all other holders proposing to sell shares of Common Stock in the Proposed Registration enter into a substantially similar underwriting agreement with such underwriter(s).

(f) Notwithstanding the foregoing, if the Company files a registration statement to register the shares of Common Stock underlying the Warrants, the Investors shall not have the right to include the shares of Common Stock underlying the Notes in the same registration statement. For the avoidance of doubt, nothing contained in this Section 2(f) shall prevent the Investor from registering its shares of Common Stock underlying the Notes in a subsequent Proposed Registration in accordance with the terms hereof. Furthermore this Section 2(f) shall not be deemed to limit the Investors right to exercise its piggyback rights in the future as provided in Section 2(a).

3. **Obligations of the Company**. If and whenever the Company is required by the provisions hereof to effect or cause the registration of any Registrable Securities under the Securities Act as provided herein, the Company shall:

(a) use commercially reasonable efforts to prepare and file with the Commission a registration statement with respect to such Registrable Securities and use commercially reasonable efforts to cause such registration statement to become effective (and to remain effective (provided that before filing a registration statement or any amendment or supplement thereto, the Company will furnish to the Investors copies of the documents proposed to be filed)).

(b) use commercially reasonable efforts to prepare and file with the Commission such amendments to such registration statement (including post-effective amendments) and supplements to the prospectus included therein as may be necessary to keep such registration statement effective, subject to the qualifications in Section 4(a), and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such registration statement during such period in accordance with the intended methods of disposition by the Investors set forth in such registration statement;

(c) furnish to the Investors such number of copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus), in conformity with the requirements of the Securities Act, and such other documents, as each Investor may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities owned by the Investors;

(d) use all commercially reasonable efforts to make such filings under the securities or blue sky laws of such jurisdictions as the Investors may reasonably request to enable each Investor to consummate the sale in such state or jurisdiction of the Registrable Securities owned by such Investor;

(e) notify the Investors at any time when a prospectus relating to their Registrable Securities is required to be delivered under the Securities Act, of the Company's becoming aware that the prospectus included in the related registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly prepare and furnish to the Investors a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(f) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and to perform its obligations hereunder;

(g) use commercially reasonable efforts to cause the Registrable Securities to be quoted on each trading market and/or in each quotation service on which the Common Stock of the Company is then quoted;

(h) provide a transfer agent for all Registrable Securities and provide a CUSIP number for all Registrable Securities, in each case not late than the effective date of the applicable registration statement; and

(i) notify the Investors of any stop order threatened or issued by the Commission and take all actions reasonably necessary to prevent the entry of such stop order or to remove it if entered.

4. **Other Procedures**.

(a) Subject to the remaining provisions of this Section 4(a) and the Company's general obligation to use commercially reasonable efforts under Section 3, the Company shall be required to maintain the effectiveness of a registration statement until the earlier of (i) the sale of all Registrable Securities, or (ii) when all Registrable Securities held by the Investors are eligible to be sold without volume limits or other limitations under Rule 144 (o successor rules). The Company shall have no liability to the Investors for delays in the Investors being able to sell the Registrable Securities as long as th Company uses commercially reasonable efforts to file a registration statement, amendments to a registration statement, post-effective amendments to a registration statement or supplements to a prospectus contained in a registration statement (including any amendment or post effective amendments).

(b) In consideration of the Company's obligations under this Agreement, the Investors agree that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(e) herein, each Investor shall forthwith discontinue his sale of Registrable Securities pursuant to the registration statement covering such Registrable Securities until the Investor's receipt of the copies of the supplemented or amended prospectus contemplated by said Section 3(e) and, if so directed by the Company, shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in the Investor's possession of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

(c) The Company's obligation to file any registration statement or amendment including a post-effective amendment, shall be subject to each Investor, as applicable, furnishing to the Company in writing such information and documents regarding such Investor and the distribution of such Investor's Registrable Securities as may reasonably be required to be disclosed in the registration statement in question by the rules and regulations under the Securities Act or under any other applicable securities or blue sky laws of the jurisdiction referred to in Section 3(d) herein. The Company's obligations are also subject to each Investor promptly executing any representation letter concerning compliance with Regulation M under the Exchange Act (or any successor rule o regulation). If any Investor fails to provide all of the information required by this Section 4(c), the Company shall have no obligation to include his Registrable Securities in a registration statement or it may withdraw such Investor's Registrable Securities from the registration statement without incurring any penalty o otherwise incurring liability to such Investor.

(d) If any such registration or comparable statement refers to an Investor by name or otherwise as a stockholder of the Company, but such reference to such Investor by name or otherwise is not required by the Securities Act or the rules thereunder, then each Investor shall have the right to require the deletion of the reference to such Investor, as may be applicable.

(e) In connection with the sale of Registrable Securities, the Investors shall deliver to each purchaser a copy of any necessary prospectus and, if applicable, prospectus supplement, within the time required by Section 5(b) of the Securities Act.

5. **Registration Expenses.** In connection with any registration of Registrable Securities pursuant to Section 2, the Company shall, whether or not any such registration shall become effective, from time to time, pay all expenses (other than Selling Expenses) incident to its performance of or compliance, including, without limitation, all registration, and filing fees, fees and expenses of compliance with securities or blue sky laws, word processing, printing and copying expenses, messenger and delivery expenses, fees and disbursements of counsel for the Company and all independent public accountants and other Persons retained by the Company.

6. **Indemnification.**

(a) In the event of any registration of any shares of Common Stock under the Securities Act pursuant to this Agreement, the Company shall indemnify, defend and hold harmless each Investor, its Affiliates, and their respective Representatives, successors and assigns, from and against any losses, claims, damages or liabilities, joint or several, to which each Investor, its Affiliates, and their respective Representatives, successors and assigns may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement under which such Registrable Securities were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or any document incident to registration or qualification of any Registrable Securities pursuant to Section 3(d) herein, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or any violation by the Company of the Securities Act, the Exchange Act, or state securities or blue sky laws or relating to action or inaction required of the Company in connection with such registration or qualification under the Securities Act or such state securities or blue sky laws. If the Company fails to defend the Investor, its Affiliates, and their respective Representatives, successors and assigns, as applicable, as required by Section 6(c) herein, it shall reimburse (after receipt of appropriate documentation) each Investor, its Affiliates, and their respective Representatives, successors and assigns for any legal or any other out-of-pocket expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to an Investor, its Affiliates, or their respective Representatives, successors or assigns in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) an untrue statement or alleged untrue statement or omission or alleged omission made in said registration statement, said preliminary prospectus, said prospectus, or said amendment or supplement or any document incident to registration or qualification of any Registrable Securities pursuant to Section 3(d) hereof in reliance upon and in conformity with written information furnished to the Company by such Investor, its Affiliates, or their respective Representatives, successors or assigns specifically for use in the preparation thereof or (ii) any act or failure to act of such Investor, its Affiliates, or their respective Representatives, successors or assigns including the failure of an Investor to deliver a prospectus as required by Section 5(e) of the Securities Act.

(b) In the event of any registration of any Registrable Securities under the Securities Act pursuant to this Agreement, each Investor shal severally and not jointly, indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 6(a)) the Company, each director of the Company, each officer of the Company who signs such registration statement, the Company's attorneys and auditors and any Person who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability that arises out of or is based upon any untrue statement or omission from such registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, if and to the extent that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company by such Investor specifically for use in the preparation of such registration statement, preliminary prospectus, final prospectus or amendment or supplement.

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in Section 6(a) or (b), such indemnified party shall, if a claim in respect thereof is made against an indemnifying party, give written notice to such indemnifying party of the commencement of such action. The indemnifying party shall be relieved of its obligations under this Section 6(c) if and to the extent that the indemnified party delays in giving notice and the indemnifying party is damaged or prejudiced by the delay. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so as to assume the defense thereof, the indemnifying party shall be responsible for any legal or other expenses subsequently incurred by the indemnifying party in connection with the defense thereof, provided, however, that, if counsel for an indemnified party shall have reasonably concluded that there is an actual or potential conflict of interest between the indemnified party and the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, and such indemnifying party shall reimburse such indemnified party for the fees and expenses of counsel retained by the indemnified party which are reasonably related to the matters covered by the indemnity agreement provided in this Section 6; provided, however, that in no event shall any indemnification by an Investor under this Section 6 exceed the net proceeds from the sale of Registrable Securities received by the Investor. No indemnified party shall make any settlement of any claims indemnified against hereunder without the written consent of the indemnifying party, which consent shall not be unreasonably withheld. In the event that any indemnifying party enters into any settlement without the written consent of the indemnified party, the indemnifying party shall not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff of a release of such indemnified party from all liability in respect to such claim or litigation.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which (i) any indemnified party makes a claim for indemnification pursuant to this Section 6, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 6 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required in circumstances for which indemnification is provided under this Section 6; then, in each such case, the Company and such Investor shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject as is appropriate to reflect the relative fault of the Company and such Investor in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, it being understood that the parties acknowledge that the overriding equitable consideration to be given effect in connection with this provision is the ability of one party or the other to correct the statement or omission (or avoid the conduct or take an act) which resulted in such losses, claims, damages or liabilities, and that it would not be just and equitable if contribution pursuant hereto were to be determined by pro-rata allocation or by any other method of allocation which does not take into consideration the foregoing equitable considerations. Notwithstanding the foregoing, (i) no such Investor shall be required to contribute any amount in excess of the net proceeds to him of all Registrable Securities sold by him pursuant to such registration statement, and (ii) no Person who is guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Notwithstanding any of the foregoing, if, in connection with an underwritten public offering of the Registrable Securities, the Company any Investor and the underwriters enter into an underwriting agreement relating to such offering which contains provisions covering indemnification among the parties, then the indemnification provision of this Section 6 shall be deemed inoperative for purposes of such offering.

7. **Rule 144.** As long as an Investor holds restricted securities (as that term is used in Rule 144), the Company covenants that it will (i) make and keep public information available, as those terms are understood and defined in Rule 144, at all times, (ii) file in a timely manner the reports and other documents required to be filed under the Securities Act or the Exchange Act and the rules and regulations adopted by the Commission thereunder, (iii) furnish to each Investor promptly upon request (x) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and the Exchange Act, (y) a copy of the most recent annual or quarterly report of the Company, and (z) such other information as an Investor may reasonably request, and (iv) cooperate with each Investor and respond as promptly as possible to any requests from such Investor in connection with Rule 144 transfers of restricted securities, in each case to enable such Investor to sell his Registrable Securities without registration under the Securities Act within the limitation of the exemption provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission (collectively, "Rule 144"). Provided, however, nothing contained in this Section 7 or elsewhere in this Agreement shall prevent the Company from consummating a transaction in which another entity acquires it through a merger or similar transaction.

8. **Severability**. In the event any parts of this Agreement are found to be illegal, unenforceable or void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the illegal, unenforceable or void parts were deleted.

9. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

10. **Benefit**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their legal representatives, successors and assigns.

11. **Notices and Addresses**. All notices, approvals, requests, demands and other communications hereunder shall be delivered or made in the manner set forth in, and shall be effective in accordance with the terms of, the Purchase Agreement.

12. **Attorneys' Fees**. In the event that there is any controversy or claim arising out of or relating to this Agreement, or to the interpretation, breach or enforcement thereof, and any action or proceeding relating to this Agreement is filed, the prevailing party shall be entitled to an award by the court of reasonable attorneys' fees, costs and expenses.

13. **Entire Agreement; Oral Evidence**. This Agreement constitutes the entire Agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, except by a statement in writing signed by the party or parties against which enforcement of the change, waiver discharge or termination is sought.

14. **Additional Documents**. The parties hereto shall execute such additional instruments as may be reasonably required by their counsel in order to carry out the purpose and intent of this Agreement and to fulfill the obligations of the parties hereunder.

15. **Governing Law**. This Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided herein or performance shall be governed or interpreted according to the internal laws of the State of New York.

16. **Section or Paragraph Headings**. Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part any of the terms or provisions of this Agreement.

Signature Page To Follow

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed personally or by a duly authorized representati thereof as of the day and year first above written.

Company:

Helix TCS, Inc.

By: _____
Name:
Title:

Investors:

DIAMOND ROCK, LLC

By: _____
Name:Name: Neil Rock
Its: Managing Member

Exhibit 10.36

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of March 1, 2019, between Helix TCS, Inc., a Delaware corporation (th "Company") and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to an exemption from the registration requirements o Section 5 of the Securities Act contained in Section 4(a)(2) thereof and/or Rule 506(b) thereunder, the Company desires to issue and sell to each Purchaser and each Purchaser, severally and not jointly, desires to purchase from the Company, Securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable considera the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the words and terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.5.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1(a).

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities to be issued and sold, in each case, have been satisfied or waived, but in no event later than the second Trading Day following the date hereof.

"Common Stock" means the common stock of the Company, par value $0.001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Company Counsel" means Nelson Mullins.

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(s).

"Exchange Act" means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder.

"Existing Rose Note" means the Promissory Note dated January 3, 2019, issued by the Company to Rose Capital Fund I, L.P., with an initial principal amount of $280,000.

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, consultants, officers or directors of the Company, in an aggregate amount not to exceed 20% of shares of Common Stock outstanding at any given time, or pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, or (b) securities issued pursuant to any purchase money equipment loan or capital leasing arrangement approved by the Collateral Agent under the Security Agreement, or debt financing from a commercial bank or similar financial institution.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Guaranty Agreement" means the guaranty agreement for the Notes executed by each Subsidiary in the form attached hereto as Exhibit C.

"Indebtedness" shall have the meaning ascribed to such term in Section 3.1(aa).

"Intellectual Property" means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all U.S. and foreign patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (b) all trademarks, service marks, brand names, certification marks, trade dress, logos, trade names, domain names, assumed names and corporate names, together with all colorable imitations thereof, and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all trade secrets under applicable state laws and the common law and know-how (including formulas, techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (e) all computer software (including source code, object code, diagrams, data and related documentation), and (f) all copies and tangible embodiments of the foregoing (in whatever form or medium).

"Intellectual Property Agreement" has the meaning set forth in Section 3.1(p).

"Lead Investor" means Rose Capital Fund I, L.P.

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(n).

"Notes" mean the Secured Convertible Promissory Notes issued by the Company to the Purchasers, in the form of Exhibit A attached hereto, which bear interest at the rate of 25% per annum, and are secured pursuant to a Security Agreement.

"Note Conversion Price" means, subject to adjustment as provided in the Note, the per share price equal to the lesser of (a) $0.90 and (ii) a 30% discount to the Company's 30-day VWAP as of the Trading Day immediately before the date of conversion.

"Participation Maximum" shall have the meaning ascribed to such term in Section 4.11(a).

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Pledge Agreement" means the pledge agreement, in the form of Exhibit D, pledging the outstanding common stock and other equity instruments of each Subsidiary.

"Pre-Notice" shall have the meaning ascribed to such term in Section 4.11(a).

"Principal Market" means any of The New York Stock Exchange, the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Sele Market, the Nasdaq Global Market, the Canadian Securities Exchange, the OTCQB, the OTCQX, the OTC Pink or any other market operated by the O Markets Group Inc. or any successors of any of these exchanges or markets.

"Pro Rata Portion" shall have the meaning ascribed to such term in Section 4.11(d).

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.8.

"RedDiamond Note" means that certain a convertible promissory note issued by the Company to RedDiamond Partners, LLC in the aggrega principal amount of $208,333.33, dated as of February 13, 2017.

"Regulation FD" means Regulation FD promulgated by the SEC pursuant to the Exchange Act, as such Regulation may be amended or interprete from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such Regulation.

"Required Approvals" shall mean the consent, waiver, authorization or order of, or the giving of any notice to, or the making of any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, including: (i) the holders of the RedDiamond Note; (ii)the filings required pursuant to Section 4.4 of this Agreement (iii) application(s) to each applicable Principal Market for the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby, (iv) filings necessary to perfect the Liens in favor of the Purchasers under the Security Agreement, and (v) such filings as are required to be made under the Securities Act and applicable state securities laws.

"Rule 144" means Rule 144 promulgated by the SEC pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such Rule.

"SEC" means the United States Securities and Exchange Commission.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h).

"Securities" means the Notes and the Warrants.

"Securities Act" means the Securities Act of 1933, and the rules and regulations promulgated thereunder.

"Security Agreement" means the security agreement, in the form of Exhibit E, providing the Purchasers with a first lien on all of the assets of the Company other than as provided in this Agreement.

"Shares" means the Common Stock issuable upon conversion of the Notes.

"Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act.

"Short Selling Prohibition" shall have the meaning ascribed to such term in Section 4.14.

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for Notes and Warrants purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsidiary" means with respect to any entity at any date, any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which (A) more than 50% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (B) is under the actual control of the Company.

"Trading Day" means a day on which a Principal Market is open for trading.

"Transaction Documents" means this Agreement, the Notes, the Warrants, the Security Agreement, the Pledge Agreement, the Guaranty Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Corporate Stock Transfer and any successor transfer agent of the Company.

"Transfer Agent Issuance Failure" shall have the meaning ascribed to such term in Section 4.14.

"Variable Rate Transactions" shall have the meaning ascribed to such term in Section 4.12(b).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Principal Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Principal Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) (or a similar organization or agency succeeding to its functions of reporting prices), (b) if no volume weighted average price of the Common Stock is reported for the Principal Market, the average closing price of the Common Stock during the ten Trading Days preceding such date, or (c) in all other cases, the fair market value of a share of Common Stock as determined by the Board of Directors of the Company.

"Warrants" means, collectively, the Common Stock Purchase Warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be immediately exercisable and have a term of exercise equal to five years from such initial exercise date, in the form of Exhibit B attached hereto.

"Warrant Exercise Price" means $1.40 per share, subject to adjustments as set forth in the Warrants.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants at the Warrant Exercise Price.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase an aggregate of (i) Notes for a total purchase price of $450,000, and (ii) 160,715 Warrants, which is equal to 50% of the Shares issuable upon conversion of the Notes. Each Purchaser shall deliver via wire transfer immediately available funds (and, with respect to the Lead Investor's subscription on the Closing Date only, the Existing Note marked "cancelled") equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver each Purchaser's respective Note and a Warrant as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2(b) deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree.

2.2 Deliveries.

(a) On or prior to Closing Date, the Company shall deliver or cause to be delivered on behalf of each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) an original Note, convertible at the Note Conversion Price, registered in the name of such Purchaser;

(iii) an original Warrant, exercisable at the Warrant Exercise Price, registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 50% of the principal amount of the Notes divided by the Warrant Exercise Price, subject to adjustment as described therein (such Warrant may be delivered within two Trading Days of the Closing Date);

(iv) a Security Agreement providing the Purchasers with a lien on all of the assets of the Company;

(v) a Guaranty Agreement executed by the Company's Subsidiaries;

(vi) a Pledge Agreement pledging the Company's outstanding common stock and other equity instruments of each of the Company's Subsidiaries;

(vii) a reservation letter executed by the Company's Transfer Agent and the Company in the form attached as Exhibit G.

(b) On or prior to the Closing Date each Purchaser shall deliver or cause to be delivered the following:

(i) this Agreement duly executed by such Purchaser;

(ii) to such Purchaser's Subscription Amount by wire transfer .

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date); and

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof;

(v) from the date hereof to the Closing Date trading in the Common Stock shall not have been suspended by the SEC or a Principa Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have beer suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Principal Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shal there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing;

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to each Purchaser as of the date hereof which representations are true and correct and will be true and correct as of the Closing Date:

(a) SEC Reports; Financial Statements The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such documents) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). For so long as any of the Warrants are outstanding, the Company shall not file Form 15 with the SEC or otherwise suspend or terminate its obligation to file any SEC Reports under the Exchange Act. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respect with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financia statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financia statements may not contain all footnotes required by GAAP, and fairly present in all respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(b) Subsidiaries. All of the direct and indirect Subsidiaries of the Company are set forth in the SEC Reports. The Company owns, directly o indirectly, all of the capital stock or other equity interests of each Subsidiary (other than its Argentine subsidiary where it owns 99%) free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(c) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(d) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. Subject to obtaining the Required Approvals, this Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(e) No Conflicts. Except for the RedDiamond Note, the execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) subject to the Required Approvals, conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Shares, when issued upon conversion of the Notes, and the Warrant Shares, when issued in accordance with the terms of the Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Company shall reserve from its duly authorized capital stock a number of shares of Common Stock issuable pursuant to the Notes and the Warrants equal to the amount set forth in Section 4.9.

(g) Capitalization. The capitalization of the Company is as set forth in the SEC Reports. Except as set forth on Schedule 3(f), the Compan has not issued any capital stock since its most recently filed periodic report under the Exchange Act. Except for the holders of the Series B Preferre Stock, no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as set forth in the SEC Reports, as a result of the purchase and sale of the Securities there are no outstandin options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale o the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than th Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) Material Changes; Undisclosed Events, Liabilities or Developments Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof, (i) there has been no even occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the SEC, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash o other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company equity incentive plans.

(i) Litigation. Except as set forth on Schedule 3(i), there is no action, suit, inquiry, notice of violation, proceeding or investigation, inquiry or other similar proceeding of any federal or state government unit pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the issuance of the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. The Company has no reason to believe that an Action will be filed against it in the future. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the SEC involving the Company or any current or former director or officer of the Company. The SEC has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company o any Subsidiary under the Exchange Act or the Securities Act, and the Company has no reason to believe it will do so in the future.

(j) Compliance. Except for the RedDiamond Note, neither the Company nor any Subsidiary: (i) is in default under or in violation of (and n event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any Indebtedness indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(k) Environmental Laws. The Company and its Subsidiaries (i) are in material compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduc their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(l) Regulatory Permits. To their knowledge, the Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate state or local regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports ("Materia Permits"). Neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Materia Permit. The Company and each Subsidiary is in compliance with each Material Permit in all material respects.

(m) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries, and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(n) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(o) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(p) Registration Rights. No Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiary except as disclosed in Schedule 3(p) hereto.

(q) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the SEC is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Principal Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Principal Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(r) No Integrated Offering Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of any applicable shareholder approval provisions of any Principal Market on which any of the securities of the Company are listed or designated.

(s) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. The SEC Reports set forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement "Indebtedness" means (x) any liabilities for borrowed money, or other liabilities for other amounts owed in excess of $10,000 (other than trade accounts payable incurred in the ordinary course of business which have been past due for less than 90 days), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of $10,000 due under leases required to be capitalized in accordance with GAAP. Except for the RedDiamond Note, neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(t) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(u) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated any provision of FCPA.

(v) Accountants. The Company's accounting firm is set forth in the SEC Reports. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) has expressed its opinion with respect to the financial statements included in the Company's Annual Report for the fiscal year ending December 31, 2017.

(w) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(x) Reserved.

(y) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(z) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities to the Purchasers as contemplated hereby

(aa) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(bb) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506(b) under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale, nor any Person, including a placement agent, who will receive a commission or fees for soliciting purchasers (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(cc) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, reasonably be expected to become a Disqualification Event relating to any Issuer Covered Person, in each case of which it is aware.

(dd) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(ee) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(ff) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(gg) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein) which representations are true and correct and will be true and correct as of the Closing Date:

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and performance by such Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser is acquiring the Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring such Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell such Securities in compliance with applicable federal and state securities laws).

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, an accredited investor within the meaning of Rule 501 under the Securities Act. Such Purchaser is not subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3).

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Such Purchaser acknowledges and agrees that neither the Company nor anyone else has provided such Purchaser with any information or advice with respect to the Securities nor is such information or advice necessary or desired.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Removal of Legends.

(a) The applicable Shares, the Warrants and Warrant Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Warrants or Warrant Shares other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor, provided that the Company shall pay the transferor's cost thereof, to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares, Warrants or Warrant Shares under the Securities Act.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Shares, the Warrants or Warrant Shares in the following form:

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN E FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUA AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SE ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUA EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A RE BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Shares or Warrant Shares to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Shares or Warrant Shares to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Shares and Warrant Shares may reasonably request in connection with a pledge or transfer of the Shares or Warrant Shares.

(c) Certificates evidencing the Shares and the Warrant Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such securities is effective under the Securities Act, (ii) following any sale of such Shares or Warrant Shares pursuant to Rule 144, (iii) if such Shares or Warrant Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares or Warrant Shares and without volume or manner-of-sale restrictions or (iv) if such legend is not required under applicable requirements of the Securities Act (including Section 4(a)(1), judicial interpretations and pronouncements issued by the staff of the SEC) (the "Effective Date"). The Company shall, at its expense, cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the removal of the legend hereunder. If all or any portion of a Note is converted or a Warrant is exercised at a time when there is an effective registration statement covering the resale of the Shares or the Warrant Shares, or if such Shares or Warrant Shares may be sold under Rule 144 and the Company is then in compliance with the current public information required under Rule 144, or if the Shares or Warrant Shares may be sold under Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares or Warrant Shares and without volume or manner-of-sale restrictions or if such legend is not otherwise required under applicable requirements of the Securities Act (including Section 4(a)(1)(1/2) and 4(a)(7) judicial interpretations and pronouncements issued by the staff of the SEC) then such Shares or Warrant Shares shall be issued or reissued free of all legends. The Company agrees that following the effective date of any registration statement or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than two Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing restricted Shares or Warrant Shares, as applicable, issued with a restrictive legend (such first Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such Shares or Warrant Shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4.1. Certificates for Shares or Warrant Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company system as directed by such Purchaser.

(d) In addition to such Purchaser's other available remedies, (i) the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of the principal amount of the Notes being converted or the value of the Warrant Shares for which a Warrant is being exercised (based on the Warrant Exercise Price), $10 per Trading Day for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief, and (ii) if after the Legend Removal Date such Purchaser purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Purchaser of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock that such Purchaser anticipated receiving from the Company without any restrictive legend then, the Company shall pay to such Purchaser, in cash, an amount equal to the excess of such Purchaser's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including brokerage commissions and other out-of-pocket expenses, if any) (the "Buy-In Price") over the product of (A) such number of Shares or Warrant Shares that the Company was required to deliver to such Purchaser by the Legend Removal Date multiplied by (B) the closing sale price of the Common Stock on the Legend Removal Date.

(e) In the event a Purchaser shall request delivery of unlegended shares as described in this Section 4.1 and the Company is required to deliver such unlegended shares, (i) it shall pay all fees and expenses associated with or required by the legend removal and/or transfer including but not limited to legal fees, transfer agent fees and overnight delivery charges and taxes, if any, imposed by any applicable government upon the issuance of Common Stock; and (ii) the Company may not refuse to deliver unlegended shares based on any claim that such Purchaser or anyone associated or affiliated with such Purchaser has not complied with Purchaser's obligations under the Transaction Documents.

4.2 Furnishing of Information.

(a) Until the earliest of the time that no Purchaser owns Securities, Shares or Warrant Shares, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) Promptly after becoming aware that the Company has failed to obtain any Material Permit, the Company shall notify the Purchasers in writing thereof and use commercially reasonable efforts obtain such Material Permit.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2(a)(1) of the Securities Act) that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Principal Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Securities Laws Disclosure; Publicity The Company shall, by 5:30 p.m. (New York City time) on the second Trading Day following the date of execution hereof, file a Current Report on Form 8-K with the SEC disclosing the material terms of this Agreement. From and after the filing of the Form 8-K as provided in the preceding sentence, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the SEC or any regulatory agency or Principal Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents with the SEC and (b) to the extent such disclosure is required by law or Principal Market regulations or (c) is required in a resale registration statement.

4.5 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.6 Reserved.

4.7 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for the continuation of its development of BioTrack v2.0, refreshing public relations and investor relations strategies, listing the Company's Common Stock on the Canadian Securities Exchange, payment of expenses incurred in connection with the sale of Securities hereunder, reimbursement of expenses payable to Rose Capital Fund I, LP, including all documented expenses incurred in connection with the sale of Securities hereunder, in an amount not to exceed $50,000, and working capital and/or general corporate purposes, and shall not use such proceeds: (a) for the satisfaction of any other portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or other securities, (c) for the settlement of any outstanding litigation other than the litigation matters listed on Schedule 3(i) (the "Existing Litigation"), (d) in violation of FCPA or OFAC regulations, or to lend money, give credit, or make advances to any officers, directors, employees or affiliates of the Company except for routine travel advances, or (e) for the purchase of real estate**.**

4.8 Indemnification of Purchasers. Subject to the provisions of this Section 4.8, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, managers, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, members, managers, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation (including local counsel, if retained) that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents, (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence or willful misconduct) or (c) any untrue or alleged untrue statement of a material fact contained in any registration statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading. If any action shall be brought against any Purchaser Party in respect of which indemnity sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such Purchaser Party, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel (in addition to local counsel, if retained). The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The Purchaser Parties shall have the right to settle any action against any of them by the payment of money by the Company provided that they cannot agree to any equitable relief and the Company, its officers, directors and Affiliates receive unconditional releases in customary form. The indemnification required by this Section 4.8 shall be made by periodic payments of the attorneys fees and costs in addition to a reasonable initial retainer during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.9 Reservation of Common Stock. The Company shall reserve and keep available at all times in favor of the Purchasers on a pro rata basis based or each Purchaser's Subscription Amount, free of preemptive rights, a number of shares of Common Stock equal to five times the number of shares of Commor Stock issuable upon conversion of the Notes and exercise of the Warrants.

The Company shall not enter into any agreement or file any amendment to its Certificate of Incorporation (including the filing of a Certificate o Designation) which conflicts with this Section 4.9 while the Notes and Warrants remain outstanding.

4.10 Listing of Common Stock. The Company hereby agrees to use best efforts to maintain the listing or quotation of the Common Stock on a Principal Market and concurrently with the Closing, the Company shall (if necessary) apply to list or quote all of the Shares and Warrant Shares on such Principal Market and promptly secure the listing of all of the Shares and Warrant Shares on such Principal Market. The Company further agrees, if th Company applies to have the Common Stock traded on any other Principal Market, it will then include in such application all of the Shares and Warrant Shares and will take such other action as is necessary to cause all of the Shares and Warrant Shares to be listed or quoted on such other Principal Market as promptly as possible. The Company will then take all action necessary to continue the listing and trading of its Common Stock on a Principal Market and will comply i all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, withou limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.11 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.12 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales (other than open market purchases), including Short Sales of any of the Company's securities ("Short Selling Prohibition") at any time during which any Notes or Warrants remain outstanding. Notwithstanding the foregoing, if the Transfer Agent shall failure to issue any Shares or Warrant Shares upon the terms and conditions and during the periods (each, a "Transfer Agent Issuance Failure"), the prohibitions set forth in the immediately preceding sentence shall no longer apply so long as such failure is not cured. Each Purchaser covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company as provided in Section 4.4 such Purchaser will maintain the confidentiality of the existence and terms of this transaction. Notwithstanding the foregoing and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company from and after the occurrence of a Transfer Agent Issuance Failure, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the occurrence of a Transfer Agent Issuance Failure, and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries from and after the occurrence of a Transfer Agent Issuance Failure, in each case prior to cure.

4.13 Capital Changes. Until the one year anniversary of the Closing Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Purchasers holding a majority in interest of the outstanding principal balance of the Notes unless such stock split is necessary for purposes of having the Company's common stock listed on the NYSE American Exchange, the Nasdaq Capital Market or the Canadian Securities Exchange.

4.14 Conversion and Exercise Procedures. The forms of Conversion Notice and Notice of Exercise included in the Notes and Warrants set forth the totality of the procedures required of the Purchasers in order to convert the Notes or to exercise the Warrants. No additional legal opinion, other information or instructions shall be required of the Purchasers to convert their Notes or exercise their Warrants. Without limiting the preceding sentences, no ink-original Conversion Notice or Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Conversion Notice or Notice of Exercise form be required in order to convert the Notes or exercise the Warrants. The Company shall honor conversions of the Notes and exercises of the Warrants and shall deliver Shares and Warrant Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.15 DTC Program. For so long as any Warrants are outstanding, the Company will employ as the transfer agent for the Common Stock and Warrant Shares a participant in the Depository Trust Company Automated Securities Transfer Program and cause the Common Stock to be transferable pursuant to such program.

4.16 Maintenance of Property. The Company shall keep all of its property, which is necessary or useful to the conduct of its business, in good working order and condition, ordinary wear and tear excepted.

4.17 Preservation of Corporate Existence. The Company shall preserve and maintain its corporate existence, rights, privileges and franchises in the jurisdiction of its incorporation, and qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business or operations and where the failure to qualify or remain qualified might reasonably have a Material Adverse Effect upon the Company taken as a whole.

4.18 Collateral Agent. Each Purchaser hereby appoints Rose Capital Fund I, LP as Collateral Agent under the Security Agreement, and as Agent under each of the Subsidiary Guaranty and the Pledge Agreement.

4.19 D&O Insurance. Provided it is available on commercially reasonable terms, the Company has and will continue to have director and officer insurance on behalf of the Company's (including its subsidiaries) officers and directors.

ARTICLE V.
MISCELLANEOUS

5.1 Fees and Expenses. Except as expressly set forth below and in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers. Upon the Closing, the Company agrees to pay the Lead Investor's documented legal fees and expenses less any initial or other deposits provided by the Company to the Lead Investor's counsel prior to the Closing Date together with documented reasonable costs including those necessary to provide the Purchasers with a lien on all of the assets of the Company, in an amount not to exceed $50,000.

5.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via email at the email address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via email at the email address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second Trading Day following the date of transmission, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the SEC pursuant to a Current Report on Form 8-K.

5.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers who purchased at least a majority in interest of the Amendment based on the initial Subscription Amounts hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought; provided, that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

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

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8 and this Section 5.7.

5.8 Governing Law; Exclusive Jurisdiction; Attorneys' Fees. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company elsewhere in this Agreement, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.9 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.10 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.12 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of an exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded exercise notice concurrently with the return to such Purchaser of the aggregate exercise price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.13 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shal issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction without requiring the posting of any bond.

5.14 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.15 Payment Set Aside. To the extent the Company makes a payment or payments to the Purchaser pursuant to any Transaction Document or the Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.16 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto including any action taken by the Collateral Agent as defined by the Security Agreement (whether under this Agreement or the Security Agreement), shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any Proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.17 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.18 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then such action may be taken or such right may be exercised on the next succeeding Trading Day.

5.19 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.20 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVE FOREVER TRIAL BY JURY.**

5.21 Non-Circumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation including any Certificates of Designation, or Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Agreement, and will at all times in good faith carry out all of the provision of this Agreement and take all action as may be required to protect the rights of all holders of the Securities. Without limiting the generality of the foregoing or any other provision of this Agreement or the other Transaction Documents, the Company (a) shall not increase the par value of any shares of Common Stock receivable upon conversion of the Note or exercise of the Warrants above the Note Conversion Price, or Warrant Exercise Price, as applicable, then in effect and (b) shall take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Shares upon the conversion of the Note and Warrant Shares upon exercise of the Warrants. Notwithstanding anything herein to the contrary, if after six months from the original issuance date, a holder is not permitted to convert the Note or exercise the Warrants, in full, for any reason, the Company shall use its best efforts to promptly remedy such failure, including, without limitation, obtaining such consent or approvals as necessary to permit such conversion or exercise.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authoriz signatories as of the date first indicated above.

COMPANY:

Helix TCS, Inc.

By: _____
Name:
Title:

Address for Notice:

With a copy to (which shall not constitute notice):

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

PURCHASER SIGNATURE PAGES TO SECURITIES PURCHASE AGREEMENT

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authoriz signatories as of the date first indicated above.

DIAMOND ROCK, LLC

By: _____
Name: Neil Rock
Its: Managing Member

Email Address of Authorized Signatory: neil@diamondrockcap.com

Address for Notice to Purchaser: Diamond Rock, LLC
Attn: Neil Rock

Address for Delivery of Securities to Purchaser (if not same as address for notice): N/A

Subscription Amount: $450,000, to be paid by wire transfer of $450,000

Warrant Shares: 160,715

Additional Subscription Amount: $_____

Additional Warrant Shares: _____

EIN Number: _____

EXHIBIT A
Form of Note

EXHIBIT B
Form of Warrant

EXHIBIT C
Form of Guaranty Agreement

EXHIBIT D
Form of Pledge Agreement

EXHIBIT E
Form of Security Agreement

EXHIBIT F
Form of Reserve Letter

Schedule 1.1
Required Approvals

Red Diamond consent
Filing of UCC financing statement
Filing a Form D
Filing an 8-k

Schedule 3(f)
Equity Issuances since 10-Q

RSF4, LLC 733,333 common shares
Conifer Insurance Company 222,222 common shares and 111,111 warrants
Ron Parlato 111,111 common shares
Uptick Capital LLC 100,000 common shares
DMO Holdings Corp. 25,000 common shares
Patrick Halpin 10,000 common shares
Kameron Wallace 10,000 common shares
Grant Whitus 25,000 common shares
Phil Baca 25,000 common shares
Joaquin Baca 25,000 common shares
RC Feeder II, LLC 899,722 common shares and 449,861 warrants (to be issued)

Schedule 3(i)
Litigation

Baker, et al. v. Helix TCS, Inc.

On March 8, 2017, two former employees filed a lawsuit in the United States District Court for the District of Colorado alleging violations of the Fair Labo Standards Act and the Colorado Wage Act on behalf of themselves and other employees. The plaintiffs seek damages for our alleged failure to compensate them appropriately for the overtime hours they worked as purported "non-exempt" employees. In January 2019 Helix's CEO and CFO engaged in a full da mediation with counsel and the lead plaintiff. While no settlement was reached, the framework for one was outlined pending a request to have the Kenney case merged with this one, as it is for the same claims.

Kenney, et al. v. Helix TCS, Inc.

On July 20, 2017 one former employee filed a lawsuit in the United States District Court for the District of Colorado alleging violations of the Fair Labo Standards Act on behalf of themselves and other employees. The plaintiffs seek damages for our alleged failure to compensate them appropriately for the overtime hours they worked as purported "non-exempt" employees.

At this time, the Company is not able to predict the outcome of the lawsuit, any possible loss or possible range of loss associated with the lawsuit or any potential effect on the Company's business, results of operations or financial condition. However, the Company believes the lawsuit is wholly without merit and will defend itself from these claims vigorously.

Schedule 3(p)
Registration Rights

Diamond Rock shares underlying Convertible Note
RSF4, LLC Series B Preferred Shares and common shares
Conifer Insurance Company common shares and warrants
Ron Parlato common shares
Kuchrawy Revocable Trust common shares

SECURED CONVERTIBLE PROMISSORY NOTE

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURI WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SEC UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUES THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQ UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SA NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE SECURED CONVERTIBLE PROMISSORY NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS SECURED CONV PROMISSORY NOTE. THE PRINCIPAL AMOUNT REPRESENTED BY THIS SECURED CONVERTIBLE PROMISSORY NO ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE DIFFERENT THAN THE AMOU FORTH ON THE FACE HEREOF.

HELIX TCS, INC.
CONVERTIBLE PROMISSORY NOTE DUE MARCH 1, 2020

Issuance Date: March 1, 2019 Principal Amount: $450,000

FOR VALUE RECEIVED, Helix TCS, Inc., a Delaware corporation (the "**Company**"), hereby promises to pay to the order of Diamond Rock LLC, or its registered assigns (the "**Holder**") the amount set forth above as the original principal amount (as reduced pursuant to the terms hereof pursuant to prepayment, conversion or otherwise, the "**Principal**") when due, whether upon March 1, 2020 (the "**Maturity Date**"), or upon acceleration, prepayment or otherwise (in each case in accordance with the terms hereof) and to pay interest ("**Interest**") on any outstanding Principal at the applicable Interest Rate (as defined below) from the date set forth above as the Issuance Date (the "**Issuance Date**") until the same becomes due and payable, whether upon the Maturity Date or upon acceleration, conversion, prepayment or otherwise (in each case in accordance with the terms hereof). This Secured Convertible Promissory Note (this "**Note**") is issued to the Holder as of the Issuance Date by the Company. Certain capitalized terms used herein are defined in Section 30; each capitalized term used but not defined herein shall have the meaning ascribed to it in that certain Securities Purchase Agreement dated as of the date hereof, among the Company and the Purchasers party thereto.

1. PAYMENTS OF PRINCIPAL.

(a) On the Maturity Date, the Company shall pay to the Holder an amount in cash representing all outstanding Principal, accrued and unpai Interest through and including the Maturity Date (collectively, the "**Outstanding Amount**"); provided that, if the Company's consolidated balance sheet as of the end of each of the three months ended immediately prior to the Maturity Date reflects an average balance less than $750,000 in unrestricted cash and the Company is unable to pay the entire Outstanding Amount in cash (the "**Conversion Trigger Event**"), then the Holder shall convert all or a portion of the Outstanding Amount, such converted amount being mutually agreed upon between the Company and the Holder (and each party agrees that such agreement will not be unreasonably withheld), into Common Stock of the Company in accordance with Section 3.

(b) No later than five (5) Business Days after the closing of Qualified Offering by the Company, the Company shall use the proceeds thereo to prepay the Outstanding Amount of this Note in accordance with Section 8 hereof. "**Qualified Offering**" means any offering by the Company of any equity or debt securities to any third party (other than the Holder), in one or a series of related transactions, resulting in net proceeds of new money of at least $5,000,000 in the aggregate.

(c) The Company may voluntarily prepay the Principal in cash, along with Interest accrued to and including the date of such prepayment, in whole or in part at any time and from time to time without penalty, premium or fee, except as expressly set forth in Section 8 hereof.

2. INTEREST; INTEREST RATE.

(a) Simple interest on this Note shall commence accruing on the Issuance Date at an aggregate rate of 25% per annum (together with any increases under Section 2(d) hereof, the "**Aggregate Interest Rate**") subject to adjustment in accordance with the terms of this Section 2 (the "**Interest Rate**"), and shall be computed on the basis of a 360-day year and twelve 30-day months. The Aggregate Interest Rate is comprised of (i) interest at a rate of 12.5% per annum (together with any increases under Section 2(d) hereof, the "**Cash Interest Rate**") accruing with respect to the Principal outstanding from the Issuance Date or immediately preceding Cash Interest Payment Date, as applicable, to and including the applicable Cash Interest Payment Date (the "**Cash Interest**"), which amount shall be payable in cash as set forth in Section 2(b) hereof, and (ii) interest at a rate of 12.5% per annum (together with any increases under Section 2(d) hereof, the "**PIK Interest Rate**") accruing with respect to the Principal outstanding from the Issuance Date or immediately preceding PIK Interest Payment Date, as applicable, to and including the applicable PIK Interest Payment Date (the "**PIK Interest**"), which amount shall be payable in Common Stock of the Company as set forth in Section 2(c) hereof.

(b) Cash Interest shall be payable by the Company to the Holder, in cash, on the day that is 5 Business Days after the last Business Day of each calendar quarter while this Note remains outstanding (each, a "**Cash Interest Payment Date**"). All accrued and unpaid Cash Interest not otherwise paid on a Cash Interest Payment Date shall be due on the Maturity Date or upon acceleration, prepayment or otherwise (in each case in accordance with the terms hereof).

(c) PIK Interest shall be payable by the Company to the Holder, in shares of Common Stock of the Company, on the day that is 5 Busines Days after the last Business Day of each calendar quarter while this Note remains outstanding (each, a "**PIK Interest Payment Date**"), with the number of shares of Common Stock issuable upon each PIK Interest Payment Date equal to the quotient obtained by dividing (i) the dollar value o the interest payment by either (ii) a per share price equal to the lower of $0.90 and the 30-day VWAP as of the Trading Day immediately prior to the PIK Interest Payment Date or (iii) the fair market value of the shares on such date; in each case at the discretion of the Holder. All accrued an unpaid PIK Interest not otherwise paid on a PIK Interest Payment Date shall be due on the Maturity Date or upon acceleration, prepayment otherwise (in each case in accordance with the terms hereof).

(d) From and after the occurrence and during the continuance of any Event of Default, each of the Cash Interest Rate and the PIK Intere Rate shall automatically be increased to 15.0% per annum, and the Aggregate Interest Rate shall be 30% per annum, or the highest amount permitte by law (the "**Default Rate**"), shall compound monthly, and shall be due and payable on the first Trading Day of each calendar month during the continuance of such Event of Default (a "**Default Interest Payment Date**"). In the event that such Event of Default is subsequently cured (and no other Event of Default then exists (including, without limitation, for the Company's failure to pay such Interest at the Default Rate on the applicable Default Interest Payment Date), the adjustment referred to in the preceding sentence shall cease to be effective as of the day immediately following the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of such cure of such Event of Default.

3. CONVERSION OF NOTE. Upon the Conversion Trigger Event, this Note shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below), on the terms and conditions set forth in this Section 3 (the "**Conversion**").

(a) Conversion Right. Upon the Conversion Trigger Event, pursuant to the terms of Section 1 hereof, the Company and the holder of this Note may convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into validly issued, fully paid and non-assessable shares of Common Stock in accordance with Section 3(b), at the Conversion Rate (as defined below). The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent (as defined below)) that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Price (the "**Conversion Rate**").

(i) "**Conversion Amount**" means the sum of (x) portion of the Principal to be converted, prepaid or otherwise with respect to which this determination is being made and (y) all accrued and unpaid Interest with respect to such portion of the Principal amount as provided in Section 2(b) with respect to such portion of such Principal and such Interest, if any.

(ii) "**Conversion Price**" means, as of any Conversion Date, the share price of Common Stock of the Company equal to the lesse of (1) $0.90 and (2) a 30% discount to the Company's VWAP during the 30-day period ending on the Trading Day immediately prior to the Conversion Date, subject in each case to equitable adjustments resulting from any stock splits, stock dividends, combinations, recapitalizations or similar events. The Company shall issue irrevocable instructions to its Transfer Agent regarding conversions such that the transfer agent shall be authorized and instructed to issue shares of Common Stock to the Holder in accordance with this Note without further approval o authorization from the Company. The Conversion Price shall be rounded down to the nearest $.01.

(c) Mechanics of Conversion.

(i) Upon Conversion Trigger Event. To convert any Conversion Amount into shares of Common Stock on any date (a "**Conversion Date**"), within four (4) Trading Days after the occurrence of the Conversion Trigger Event, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation and representation as to whether such shares of Common Stock may then be resold pursuant to Rule 144 or an effective and available registration statement, in the form attached hereto as Exhibit II, to the Holder and the Transfer Agent which confirmation shall constitute an instruction to the Transfer Agent to process the Conversion in accordance with the terms herein. On or before the fifth Trading Day following the occurrence of the Conversion Trigger Event (or such earlier date as required pursuant to the 1934 Act or other applicable law, rule or regulation for the settlement of a trade initiated on the applicable Conversion Date of such shares of Common Stock issuable pursuant upon the Conversion Trigger Event) (the "**Share Delivery Deadline**"), the Company shall (1) provided that the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock t which the Holder shall be entitled pursuant to such conversion to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfe Program, upon the request of the Holder, issue and deliver (via reputable overnight courier) to the address specified in writing by the Holder, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled pursuant to such conversion. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note sha be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. Notwithstanding anything to the contrary contained in this Note, after the effective date of a registration statement registering the resale of the shares of Common Stock issuable upon a conversion of this Note and prior to the Holder's receipt of a notice that such registration statement is not available with respect thereto, the Company shall cause the Transfer Agent to deliver unlegended shares of Common Stock to the Holder (or its designee) in connection with any sale of shares of Common Stock issuable upon a conversion of this Note with respect to which the Holder has entered into a contrac for sale, and delivered a copy of the prospectus included as part of the particular registration statement to the extent applicable, and for which the Holder has not yet settled.

(ii) The Company's Failure to Timely Convert. If the Company shall fail, through fault of its own, on or prior to the applicable Share Delivery Deadline, if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, to issue and deliver to th Holder (or its designee) a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares o Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfe Program, to credit the balance account of the Holder or the Holder's designee with DTC for such number of shares of Common Stock to whic the Holder is entitled upon the Holder's conversion of this Note (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to the Holder, the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline that the issuanc of such shares of Common Stock is not timely effected an amount equal to 1% of the product of (A) the sum of the number of shares o Common Stock not issued to the Holder on or prior to the Share Delivery Deadline and to which the Holder is entitled, multiplied by (B) th VWAP of the Common Stock during the period beginning on the applicable Conversion Date and ending on the applicable Share Deliver Deadline.

(iii) Registration; Book-Entry. The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the Holder of the Note and the principal amount of the Note. The entries in the Register shall be conclusive and binding for a purposes absent manifest error. The Company and the holder or holders of the Note shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes (including, without limitation, the right to receive payments of Principal and Interest hereunder notwithstanding notice to the contrary. The Note may be assigned, transferred or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a written request to assign, transfer or sell all or part of the Note by the holder thereof, the Company shall record the information contained therein in the Register and issue one or more new Notes in the same aggregate principal amount as the principal amount of the surrendered Note to the designated assignee or transferee pursuant to Section 17, provided that if the Company does no so record an assignment, transfer or sale (as the case may be) of all or part of any Note within two Trading Days of such a request, then the Register shall be automatically deemed updated to reflect such assignment, transfer or sale (as the case may be). Notwithstanding anything to the contrary set forth in this Section 3, following conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted (i which event this Note shall be delivered to the Company following conversion thereof) or (B) the Holder has provided the Company with prio written notice requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain record showing the Principal and Interest converted and/or paid (as the case may be) and the dates of such conversions, and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion. If the Company does not update the Register to record such Principal and Interest converted and/or paid (as the case ma be) and the dates of such conversions, and/or payments (as the case may be) within two Trading Days of such occurrence, then the Register shall be automatically deemed updated to reflect such occurrence.

(iv) Pro Rata Conversion; Disputes. In the event that the Company is obligated to perform a Conversion hereunder and, on the same date, any holders of Options or other Convertible Securities desire to exercise or convert such Options and/or Securities, and the Company can issue securities with respect to some, but not all, of such Notes, Options or other Convertible Securities submitted for conversion or exercise, the Company shall first convert the entire Conversion Amount submitted for conversion on such date by the Holders of Notes on a pro rata basis based upon the Principal of the Conversion amounts of all Notes being converted, and shall thereafter issue securities in connection with the exercise or conversion, as applicable, by each holder of Options or other Convertible Securities electing to have Options or other Convertible Securities converted on such date (other than the Notes) a pro rata amount of such holder's portion of its Options or other Convertible Securities submitted for conversion based on the aggregate number of shares of Common Stock issuable upon exercise (or conversion) of all Options or other Convertible Securities submitted for conversion on such date (not including the Notes).

(d) Limitations on Conversions. The Company shall not effect the conversion of any portion of the Note and the Holder shall not have the right to convert any portion of the Note and any such conversion shall be null and void and treated as if never made, to the extent that after giving effect to such conversion, the Holder would beneficially own in excess of 4.99% of the shares of Common Stock outstanding immediately after giving effect to such conversion (the "**Maximum Percentage**") (which provision may be waived by the Holder by written notice from the Holder to the Company, which notice shall be effective 61 days after the date of such notice). For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by the Holder shall include the number of shares of Common Stock held by the Holder plus the number of shares of Common Stock issuable upon conversion of the Note and all other convertible securities with respect to which the determination of such sentence is being made subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 3(d). For purposes of this Section 3(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the 1934 Act. For purposes of determining the number of outstanding shares of Common Stock the Holder may acquire upon the conversion of the Note without exceeding the Maximum Percentage, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other public filing with the Securities and Exchange Commission (the "**SEC**"), as the case may be, (y) a more recent public announcement by the Company or (z) any other written notice by the Company or the Transfer Agent, if any, setting forth the number of shares of Common Stock outstanding (the "**Reported Outstanding Share Number**"). If the Company receives a Notice of Conversion from the Holder at a time when the actual number of outstanding shares of Common Stock is less than the Reported Outstanding Share Number, the Company shall notify the Holder in writing of the number of shares of Common Stock then outstanding and, to the extent that such Notice of Conversion would otherwise cause the Holder's beneficial ownership, as determined pursuant to this Section 3(d), to exceed the Maximum Percentage, the Company must notify the Holder of a reduced number of shares of Common Stock to be purchased pursuant to such Notice of Conversion. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one Trading Day confirm orally and in writing or by electronic mail to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including such Note, by the Holder since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of shares of Common Stock to the Holder upon conversion of such portion of the Note results in the Holder being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding shares of Common Stock (as determined under Section 13(d) of the 1934 Act and Rule 13b-3 thereunder), the number of conversion shares so issued by which the Holder's beneficial ownership exceeds the Maximum Percentage (the "**Excess Shares**") shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote, sell, or to transfer the Excess Shares. For purposes of clarity, the shares of Common Stock issuable to the Holder pursuant to the terms of this Note in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the 1934 Act. No prior inability to convert the Note pursuant to this Section 3(d) shall have any effect on the applicability of the provisions of this Section 3(d) with respect to any subsequent determination of convertibility. The provisions of this Section 3(d) shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 3(d) to the extent necessary to correct any portion of this Section 3(d) which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 3(d) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The provisions of this Section 3(d) shall be of no further force or effect if the Holder participates in a subsequent transaction with the Company and acquires Common Stock and/or securities convertible into Common Stock which do not contain a beneficial ownership limitation. In such event, the Maximum Percentage limitation shall be (i) deemed modified to be identical to any limitation on beneficial ownership contained in the subsequent transaction or (ii) eliminated if there is no such limitation on beneficial ownership.

(e) Alternate Conversion.

(i) General. At any time after the occurrence of an Event of Default and during any Event of Default Prepayment Right Period (a defined below), the Holder may, at the Holder's sole discretion, convert (each, an "**Alternate Conversion**", and the date of such Alternate Conversion, each, an "**Alternate Conversion Date**") all, or any part of, in one or several times, the entire Conversion Amount under the outstanding amount of the Note (such portion of the Conversion Amount subject to such Alternate Conversion, the "**Alternate Conversion Amount**") into shares of Common Stock at the Alternate Conversion Price in accordance with Section 3(e)(ii) below. For the avoidance of doubt, during any Event of Default Prepayment Right Period, the Holder may, in lieu of a conversion pursuant to Section 3(a) hereof voluntarily convert all, or any part of, the entire Conversion Amount, and shall not be limited with respect to the number of times the Holder may convert the Conversion Amount or value of the Conversion Amount so converted.

(ii) Mechanics of Default Alternate Conversion. On any Alternate Conversion Date, the Holder may voluntarily convert any Alternate Conversion Amount pursuant to Section 3(b) (with "Alternate Conversion Price" replacing "Conversion Price" for all purposes hereunder with respect to such Alternate Conversion and, with the "Event of Default Prepayment Price" replacing "Conversion Amount" in clause (x) of the definition of Conversion Rate above with respect to such Alternate Conversion) by designating in a Notice to the Company delivered pursuant to this Section 3(e)(ii) of this Note that the Holder is electing to use the Alternate Conversion Price for such conversion.

4. RIGHTS UPON EVENT OF DEFAULT.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**" and each of the events in clauses (vii), (viii) and (ix) shall constitute a "**Bankruptcy Event of Default**":

(i) the suspension from trading or the failure of the Common Stock to be trading or listed (as applicable) on a Principal Market for a period of five consecutive Trading Days;

(ii) the Company's (A) failure to cure a Conversion Failure by delivery of the required number of shares of Common Stock within five Trading Days after the applicable Conversion Date or (B) notice, written or oral, to any holder of the Note, including, without limitation, by way of public announcement or through any of its agents, at any time, of its intention not to comply, as required, with a request for conversion of the Note into shares of Common Stock that is requested in accordance with the provisions of the Note;

(iii) except to the extent the Company is in compliance with Section 10 below, at any time following the 10th consecutive day that the Holder's Required Reserve Amount (as defined in Section 10(a) below) is less than the number of shares of Common Stock that the Holde would be entitled to receive upon a conversion of the full Conversion Amount of this Note and the Warrants in accordance with Section 10(a) hereof (without regard to any limitations on conversion set forth herein);

(iv) the Company's or any Subsidiary's failure to pay to the Holder any amount of Principal (subject to the terms of Sections 1 and 3), Interest or other amounts when and as due under this Note (including, without limitation, the Company's or any Subsidiary's failure to pay any prepayment payments or amounts hereunder) or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby, except, in the case of a failure to pay Interest when and as due, in which case only if such failure remains uncured for a period of at least ten Trading Days;

(v) the Company fails to remove any restrictive legend on any certificate or any shares of Common Stock issued to the Holder upon conversion of this Note as and when required by this Note, unless otherwise then prohibited by applicable federal securities laws, and any such failure remains uncured for at least five days;

(vi) the occurrence of any default under, - or acceleration prior to maturity of at least an aggregate of $100,000 of Indebtedness of the Company or any of its Subsidiaries;

(vii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within 30 days of their initiation;

(viii) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a Uniform Commercial Code foreclosure sale or any other similar action under federal, state or foreign law;

(ix) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of 30 consecutive days;

(x) a final judgment or judgments for the payment of money aggregating in excess of $250,000 are rendered against the Company and/or any of its Subsidiaries and which judgment(s) is(are) not, within 30 days of when due pursuant to the terms of such judgement, or within any applicable grace period, bonded, discharged, settled or stayed pending appeal, or are not discharged within 10 days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $250,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity within 10 days of the issuance of such judgment;

(xi) the Company and/or any Subsidiary, individually or in the aggregate, either (i) fails to pay, when due, or within any applicable grace period, any payment with respect to any Indebtedness in excess of $100,000 due to any third party (other than, with respect to unsecured Indebtedness only, payments contested by the Company and/or such Subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with GAAP) or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $100,000, which breach or violation permits the other party thereto to declare a default or otherwise accelerate amounts due thereunder, or (ii) suffer to exist any other circumstance or event that would, with or without the passage of time or the giving of notice, result in a default or event of default under any agreement binding the Company or any Subsidiary, which default or event of default would or is likely to have a Material Adverse Effect on the business, assets, operations (including results thereof), liabilities, properties, condition (including financial condition) or prospects of the Company or any of its Subsidiaries, individually or in the aggregate;

(xii) other than as specifically set forth in another clause of this Section 4(a), the Company or any Subsidiary breaches any representation or warranty in any material respect (other than representations or warranties subject to materiality limitations, which may not be breached in any respect) or any covenant or other term or condition of any Transaction Document, except, in the case of a breach of a covenant or other term or condition that is curable, only if such breach remains uncured for a period of five consecutive Trading Days;

(xiii) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company as to whether any Event of Default has occurred;

(xiv) any breach or failure in any respect by the Company or any Subsidiary to comply with any provision of Section 12 of this Note;

(xv) any Material Adverse Effect occurs;

(xvi) any provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document; or

(xvii) The Company breaches any Transaction Document or any other notes or other documents evidencing the indebtedness of the Company (regardless of whether such breach would constitute an Event of Default under any Transaction Document), and the Company fails to remedy such breach within thirty days after becoming aware of such breach.

(xviii) Failure to satisfy any Equity Condition, except for Equity Conditions (a), (b), (k), (m) or (n).

(b) Notice of an Event of Default; Prepayment Right Upon the occurrence of an Event of Default with respect to this Note, the Company shall within one Trading Day deliver written notice thereof via facsimile or electronic mail and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default (such earlier date, the "**Event of Default Right Commencement Date**") and ending (such ending date, the "**Event of Default Right Expiration Date**", and each such period, an "**Event of Default Prepayment Right Period**") on the 20th Trading Day after the later of (x) the date such Event of Default is cured and (y) the Holder's receipt of an Event of Default Notice that includes a reasonable description of the applicable Event of Default, the Holder may require the Company to prepay (regardless of whether such Event of Default has been cured on or prior to the Event of Default Right Expiration Date) all or any portion of this Note by delivering written notice thereof (the "**Event of Default Prepayment Notice**") to the Company, which Event of Default Prepayment Notice shall indicate the portion of this Note the Holder is electing to have prepaid. Each portion of this Note subject to prepayment by the Company pursuant to this Section 4(b) shall be prepaid by the Company at a price equal to the greater of (i) the product of (A) the Conversion Amount to be prepaid multiplied by (B) the Prepayment Premium and (ii) the product of (X) the Conversion Rate with respect to the Conversion Amount in effect at such time as the Holder delivers an Event of Default Prepayment Notice multiplied by (Y) the product of (1) the Prepayment Premium multiplied by (2) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Event of Default and ending on the date the Company makes the entire payment required to be made under this Section 4(b) (the "**Event of Default Prepayment Price**"). Prepayments required by this Section 4(b) shall be made in accordance with the provisions of Section 11. To the extent prepayments required by this Section 4(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such prepayments shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 4(b), the Conversion Amount submitted for prepayment under this Section 4(b) may be converted, in whole or in part, into Common Stock pursuant to the terms of Sections 1 and 3 of this Note. In the event of the Company's prepayment of any portion of this Note under this Section 4(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 4(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Any prepayment upon an Event of Default shall not constitute an election of remedies by the Holder, and all other rights and remedies of the Holder shall be preserved.

(c) Mandatory Prepayment upon Bankruptcy Event of Default Notwithstanding anything to the contrary herein, and notwithstanding any conversion that is then required or in process, upon any Bankruptcy Event of Default, whether occurring prior to or following the Maturity Date, the Company shall immediately pay to the Holder an amount in cash representing (i) all outstanding Principal and accrued and unpaid Interest, multiplied by (ii) the Prepayment Premium, in addition to any and all other amounts due hereunder, without the requirement for any notice or demand or other action by the Holder or any other person or entity, provided that the Holder may, in its sole discretion, waive such right to receive payment upon a Bankruptcy Event of Default, in whole or in part, and any such waiver shall not affect any other rights of the Holder hereunder, including any other rights in respect of such Bankruptcy Event of Default, any right to conversion, and any right to payment of the Event of Default Prepayment Price or any other Prepayment Price, as applicable.

5. RIGHTS UPON FUNDAMENTAL TRANSACTION.

(a) Repay or Convert. In the event of a Fundamental Transaction, the Holder will convert this Note or accept prepayment as provided for herein. In the event this Note is not converted or prepayment is not accepted, the Company will have no further liability to Holder under this Note.

(b) Notice of a Change of Control; Prepayment Right No sooner than 20 Trading Days nor later than 10 Trading Days prior to the consummation of a Change of Control (the "**Change of Control Date**"), but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile or electronic mail and overnight courier to the Holder (a "**Change of Control Notice**"). At any time during the period beginning after the Holder's receipt of a Change of Control Notice or the Holder becoming aware of a Change of Control if a Change of Control Notice is not delivered to the Holder in accordance with the immediately preceding sentence (as applicable) and ending on the later of 20 Trading Days after (A) consummation of such Change of Control or (B) the date of receipt of such Change of Control Notice, the Holder may require the Company to prepay all or any portion of this Note by delivering written notice thereof ("**Change of Control Prepayment Notice**") to the Company, which Change of Control Prepayment Notice shall indicate the Conversion Amount the Holder is electing to prepay. The portion of this Note subject to prepayment pursuant to this Section 5(b) shall be prepaid by the Company in cash at a price equal to the product of (w) the Prepayment Premium multiplied by (y) the Conversion Amount being prepaid (the "**Change of Control Prepayment Price**"). Prepayments required by this Section 5(b) shall be made in accordance with the provisions of Section 11 and shall have priority to payments to stockholders in connection with such Change of Control. To the extent prepayments required by this Section 5(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such prepayments shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5(b), but subject to Section 5(a), until the Change of Control Prepayment Price is paid in full, the Conversion Amount submitted for prepayment under this Section 5(b) may be converted, in whole or in part, by the Holder into Common Stock pursuant to Sections 1 and 3. In the event of the Company's prepayment of any portion of this Note under this Section 5(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 5(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

6. RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS AND OTHER CORPORATE EVENTS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 7 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to all or substantially all of the record holders of any class of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the Alternate Conversion Price as of the applicable record date) immediately prior to the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Purchase Right (and beneficial ownership) to the extent of any such excess) and such Purchase Right to such extent shall be held in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable) for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right held similarly in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable)) to the same extent as if there had been no such limitation).

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that the Holder will thereafter have the right to receive upon a conversion of this Note, at the Holder's option (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by the Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of this Note) or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Holder. The provisions of this Section 6 shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion or prepayment of this Note.

7. RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

The provisions of this Section 7 shall apply each time the Company, while this Warrant or the Note is outstanding, shall issue any securities with a Dilutive Issuance Price. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 7 with respect to an Exempt Issuance (as define in the Purchase Agreement).

(a) Adjustment of Conversion Price upon Issuance of Common Stock If the Company at any time while this Note is outstanding, issues or sells any additional shares of Common Stock or Common Stock Equivalents (hereafter defined) ("Additional Shares of Common Stock") at a price pe share less than the Conversion Price then in effect or without consideration (a "Dilutive Issuance" based on a "Dilutive Issuance Price"), then th Conversion Price upon each such issuance shall be adjusted to equal the Dilutive Issuance Price.

(b) Record Date. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares o Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issuance or sale of the shares o Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(c) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock Without limiting any other provisions of this Section 7, if the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any other provisions of this Section 7, if the Company at any time on or after the Issuance Date combines (by any reverse stock split, or stock combination, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(c) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(c) occurs during the period that a Conversion Price is calculated hereunder then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(d) The Holder's Right of Adjusted Conversion Price In addition to and not in limitation of the other provisions of this Section 7, if the Company in any manner issues or sells or enters into any agreement to issue or sell, any Common Stock, Options or Convertible Securities (any such securities, "**Variable Price Securities**"), after the Issuance Date that are issuable pursuant to such agreement or convertible into or exchangeable or exercisable for shares of Common Stock at a price which varies or may vary with the market price of the shares of Common Stock, including by way of one or more reset(s) to a fixed price, but exclusive of such formulations reflecting customary anti-dilution provisions (such as share splits, share combinations, share dividends and similar transactions) (each of the formulations for such variable price being herein referred to as, the "**Variable Price**"), the Company shall provide written notice thereof via facsimile or email to the Holder on the date of such agreement and the issuance of such Convertible Securities or Options. From and after the date the Company enters into such agreement or issues any such Variable Price Securities, the Holder shall have the right, but not the obligation, in its sole discretion to substitute the Variable Price for the Conversion Price upon conversion of this Note by designating in a notice delivered upon any conversion of this Note that solely for purposes of such conversion the Holder is relying on the Variable Price rather than the Conversion Price then in effect. The Holder's election to rely on a Variable Price for a particular conversion of this Note shall not obligate the Holder to rely on a Variable Price for any future conversion of this Note.

(e) Stock Combination Event Adjustments. If at any time and from time to time on or after the Issuance Date there occurs any stock split stock dividend, stock combination, reverse split, recapitalization or other similar transaction involving the Common Stock (each, a "**Stock Combination Event**", and such date thereof, the "**Stock Combination Event Date**") and the Event Market Price is different than the Conversion Price then in effect (after giving effect to the adjustment in Section 7(c) above), then the Conversion Price shall be equal to the Event Market Price.

(f) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 7(f) will increase the Conversion Price as otherwise determined pursuant to this Section 7, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding absent manifest error and whose fees and expenses shall be borne by the Company.

(g) Calculations. All calculations under this Section 7 shall be made by rounding to the nearest cent or the nearest $1/100^{th}$ of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(h) Voluntary Adjustment by the Company. The Company may at any time during the term of this Note, with the prior written consent of the Holder, reduce the then current Conversion Price of the Note to any amount and for any period of time deemed appropriate by the board of directors of the Company.

8. PREPAYMENT.

(a) Prepayment By the Company. At any time after the Issuance Date, the Company shall have the right to prepay all or a portion of the Principal then remaining under this Note, together with all Interest as set forth in Section 2(b) (each, a "**Company Optional Prepayment Amount**") on the Company Optional Prepayment Date (as defined below) (a "**Company Optional Prepayment**") in cash at a price (the "**Company Optional Prepayment Price**") equal to (i) if the Company Optional Prepayment Date occurs during the first 6 months this Note is outstanding, the product equal to the Prepayment Premium multiplied by the amount of Principal being prepaid plus all Interest accrued through such date, and (ii) if the Company Optional Prepayment Date occurs after the first 6 months this Note is outstanding, 100% of the amount of Principal being prepaid plus all Interest accrued through such date. The Company may exercise its right to prepay the Note under this Section 8(a) by delivering a written notice thereof by facsimile or electronic mail and overnight courier to the Holder (the "**Company Optional Prepayment Notice**" and the date the Holder receives such notice is referred to as the "**Company Optional Prepayment Notice Date**"). Each Company Optional Prepayment Notice delivered by the Company to the Holder shall be irrevocable. Each Company Optional Prepayment Notice shall (x) state the date on which the Company Optional Prepayment shall occur (the "**Company Optional Prepayment Date**") which date shall not be less than 10 Trading Days and nor more than 30 days following the Company Optional Prepayment Notice Date; (y) state the aggregate Principal of the Note which is being prepaid in such Company Optional Prepayment pursuant to this Section 8(a) on the Company Optional Prepayment Date; and (z) state the aggregate Interest of this Note which is being prepaid in such Company Optional Prepayment pursuant to this Section 8(a) on the Company Optional Prepayment Date. Upon receipt of a Company Optional Prepayment Notice, the Holder shall have the right, but not the obligation, to convert all or a portion of the Principal then remaining under this Note in accordance with Section 3 hereof prior to the Company Optional Prepayment Date. To the extent the amount converted by the Holder reduces the Company Optional Prepayment Amount required to be prepaid by the Company on the Company Optional Prepayment Date, the Company Optional Prepayment Amount shall be reduced accordingly. Prepayments made pursuant to this Section 8(a) shall be made in accordance with Section 11. In the event of the Company's prepayment of this Note under this Section 8(a), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 8(a) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Notwithstanding the foregoing, the Company shall have no right to effect a Company Optional Prepayment if any Event of Default has occurred and continuing, but any Event of Default shall have no effect upon the Holder's right to convert this Note in its discretion.

(b) Equal Treatment of the Notes. Any prepayment by the Company under Section 8(a) shall require the Company to treat all Holders of the Notes issues on the Issuance Date in a similar manner on a pro rata basis based on the Principal of all outstanding Notes.

9. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of the Company's Articles of Incorporation or other charter documents, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note. Without limiting the generality of the foregoing or any other provision of this Note or the other Transaction Documents, the Company (a) shall not increase the par value of any shares of Common Stock receivable upon conversion of this Note above the Conversion Price then in effect, and (b) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of this Note. Notwithstanding anything herein to the contrary, if after the 60 day anniversary of the Issuance Date, the Holder is not permitted to convert this Note in full for any reason, the Company shall use its best efforts to promptly remedy such failure, including, without limitation, obtaining such consents or approvals as necessary to permit such conversion into shares of Common Stock.

10. RESERVATION OF AUTHORIZED SHARES.

(a) Reservation. So long as the Note remains outstanding, the Company shall at all times reserve 500% of the maximum number of shares of Common Stock issued pursuant to the Transaction Documents issuable upon (1) conversion of the Note (assuming for purposes hereof that (x) the Note is convertible at the lower of: (A) the Alternate Conversion Price (assuming an Alternate Conversion Date as of such date of determination) or (B) 70% of the lowest daily VWAP after the Issuance Date, (y) Interest on the Note shall accrue through the 12 month anniversary of the Issuance Date and will be converted into shares of Common Stock at a conversion price equal to: the lower of: (A) the Alternate Conversion Price (assuming an Alternate Conversion Date as of such date of determination) or (B) 70% of the lowest daily VWAP after the Issuance Date and (z) any such conversion shall not take into account any limitations on the conversion of the Note set forth in the Note); and (2) exercise of the Warrants (the "**Required Reserve Amount**").

(b) Insufficient Authorized Shares. If, notwithstanding Section 10(a), and not in limitation thereof, at any time while any of the Note remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance as provided in Section 10(a) at least a number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than 60 days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders (or obtain approval by written consent) for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall comply with the 1934 Act and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. In the event that the Company is prohibited from issuing shares of Common Stock pursuant to the terms of this Note due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorized Failure Shares**"), in lieu of delivering such Authorized Failure Shares to the Holder, the Company shall pay cash in exchange for the prepayment of such portion of the Conversion Amount convertible into such Authorized Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorized Failure Shares and (y) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the earlier of the date the Conversion Trigger Event occurs and the date the Holder delivers the applicable notice with respect to such Authorized Failure Shares to the Company and ending on the date of such issuance and payment under this Section 10(b); and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Authorized Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

11. PREPAYMENTS MECHANICS.

(a) The Company shall deliver the applicable Event of Default Prepayment Price to the Holder in cash within five Trading Days after th Company's receipt of the Holder's Event of Default Prepayment Notice.

(b) If the Holder has submitted a Change of Control Prepayment Notice in accordance with Section 5(b), the Company shall deliver th applicable Change of Control Prepayment Price to the Holder in cash concurrently with the consummation of such Change of Control if such notice i received prior to the consummation of such Change of Control and within five Trading Days after the Company's receipt of such notice otherwise.

(c) The Company shall deliver the applicable Company Optional Prepayment Price to the Holder in cash on the applicable Company Option Prepayment Date.

(d) The Company shall deliver the applicable Prepayment Amount to the Holder in cash on the fifth Trading Day immediately following th day a Prepayment Notice is delivered.

12. RESERVED.

13. COVENANTS. Until all of the Note has been converted, prepaid or otherwise satisfied in accordance with their terms:

(a) Rank. All payments due under this Note shall rank senior to all other Indebtedness of the Company and its Subsidiaries.

(b) Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly incur or guarantee, assume or suffer to exist any Indebtedness (other than (i) the Indebtedness evidenced by this Note, (ii) the RedDiamond Note an (ii) other Permitted Indebtedness).

(c) Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow o suffer to exist any mortgage, lien, pledge, charge, security interest, deed of trust, or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

(d) Restricted Payments. Except for the RD Note, the Company shall not, and the Company shall cause each of its Subsidiaries to no directly or indirectly, prepay, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than the Note) whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, (i) an event constituting an Event of Default has occurred and is continuing or (ii) an event that with the passage of time and without being cured would constitute an Event of Default has occurred and is continuing.

(e) Restriction on Prepayment and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not directly or indirectly, prepay, repurchase or declare or pay any cash dividend or distribution on any of its capital stock.

(f) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, spin-off, split-off, close, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries in the ordinary course of business consistent with its past practice and (ii) sales of inventory and products in the ordinary course of business.

(g) Maturity of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly permit any Indebtedness of the Company or any of its Subsidiaries to mature or accelerate prior to the Maturity Date.

(h) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly engage in any material line of business substantially different from providing products and services to the legal cannabis industry. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(i) Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(j) Maintenance of Properties, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(k) Maintenance of Intellectual Property. The Company will, and will cause each of its Subsidiaries to, take all action necessary or advisable to maintain all of the rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, original works of authorship, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights and all applications and registrations therefor of the Company and/or any of its Subsidiaries that are necessary or material to the conduct of its business in full force and effect.

(l) Maintenance of Insurance. The Company shall maintain, and cause each of its Subsidiaries to maintain, insurance where available with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard, rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

(m) Transactions with Affiliates. The Company shall not, nor shall it permit any of its Subsidiaries to, enter into, renew, extend or be a party to, any transaction or series of related transactions (including, without limitation, the purchase, sale, lease, transfer or exchange of property or assets of any kind or the rendering of services of any kind) with any Affiliate, except in the ordinary course of business in a manner and to an extent consistent with past practice and necessary or desirable for the prudent operation of its business, for fair consideration and on terms no less favorable to it or its Subsidiaries than would be obtainable in a comparable arm's length transaction with a Person that is not an Affiliate thereof.

14. DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 7, if the Company shall declare or make any dividend or other distributions of its assets (or rights to acquire its assets) to any or all holders of shares of Common Stock, by way of return of capital or otherwise (including without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (the "**Distributions**"), then the Holder will be entitled to such Distributions as if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the lower of (a) the Alternate Conversion Price or (b) 70% of the lowest daily VWAP after the Issuance Date) on the date immediately prior to the date on which a record is taken for such Distribution or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for such Distributions (provided, however, that to the extent that the Holder's right to participate in any such Distribution would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Distribution (and beneficial ownership) to the extent of any such excess) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

15. AMENDING THE TERMS OF THIS NOTE. The prior written consent of the Holder shall be required for any change, waiver or amendment to this Note. Any change, waiver or amendment so approved shall be binding upon all existing and future holders of this Note; provided, however, that no such change, waiver or, as applied to the Note held by any particular holder of the Note, shall, without the written consent of that particular holder, (i) reduce the amount of Principal, reduce the amount of accrued and unpaid Interest, or extend the Maturity Date, of the Note, (ii) disproportionally and adversely affect any rights under the Note of any holder of any other portion of the Note; or (iii) modify any of the provisions of, or impair the right of any holder of the Note under this Section 15.

16. TRANSFER. This Note and any shares of Common Stock issued upon conversion of this Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company.

17. REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 17(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 17(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii) following conversion or prepayment of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 17(d)) representing the outstanding Principal. In no event shall a bond or other security be required to be delivered by the Holder.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principa office of the Company, for a new Note or Notes (in accordance with Section 17(d) and in principal amounts of at least $100,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 17(a) or Section 17(c), the Principal designated by the Holder which does not exceed the Principa remaining outstanding under this Note immediately prior to such issuance of a new Note), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest on the Principal and Interest of this Note, from the Issuance Date.

18. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 7).

19. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting the Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements. The Company expressly acknowledges and agrees that no amounts due under this Note shall be affected, or limited, by the fact that the purchase price paid for this Note was less than the original Principal amount hereof.

20. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the initial the Holder and shall not be construed against any such Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Note instead of just the provision in which they are found. Unless expressly indicated otherwise, all section references are to sections of this Note. Terms used in this Note and not otherwise defined herein, but defined in the other Transaction Documents, shall have the meanings ascribed to such terms on the Issuance Date in such other Transaction Documents unless otherwise consented to in writing by the Holder.

21. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

22. DISPUTE RESOLUTION.

(a) Submission to Dispute Resolution.

(i) In the case of a dispute relating to a Closing Sale Price, a Conversion Price, an Alternate Conversion Price, a Prepayment Conversion Price, an Equity Conditions Failure, a Black-Scholes Consideration Value, a VWAP or a fair market value or the arithmetic calculation of a Conversion Rate, or the applicable Prepayment Price (as the case may be) (including, without limitation, a dispute relating to the determination of any of the foregoing), the Company or the Holder (as the case may be) shall submit the dispute to the other party via facsimile or electronic mail (A) if by the Company, within two Trading Days after the occurrence of the circumstances giving rise to such dispute or (B) if by the Holder at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to promptly resolve such dispute relating to such Closing Sale Price, such Conversion Price, such Alternate Conversion Price, such Prepayment Conversion Price, such Black-Scholes Consideration Value, such VWAP or such fair market value, or the arithmetic calculation of such Conversion Rate or such applicable Prepayment Price (as the case may be), at any time after the second Trading Day following such initial notice by the Company or the Holder (as the case may be) of such dispute to the Company or the Holder (as the case may be), then the Holder may, at its sole option, select an independent, reputable investment bank to resolve such dispute.

(ii) The Holder and the Company shall each deliver to such investment bank (A) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 22 and (B) written documentation supporting its position with respect to such dispute, in each case, no later than 5:00 p.m. (New York time) by the fifth Trading Day immediately following the date on which the Holder selected such investment bank (the "**Dispute Submission Deadline**") (the documents referred to in the immediately preceding clauses (A) and (B) are collectively referred to herein as the "**Required Dispute Documentation**") (it being understood and agreed that if either the Holder or the Company fails to so deliver all of the Required Dispute Documentation by the Dispute Submission Deadline, then the party who fails to s submit all of the Required Dispute Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such investment bank with respect to such dispute and such investment bank shall resolve such dispute based solely on the Required Dispute Documentation that was delivered to such investment bank prior to the Dispute Submission Deadline) Unless otherwise agreed to in writing by both the Company and the Holder or otherwise requested by such investment bank, neither the Company nor the Holder shall be entitled to deliver or submit any written documentation or other support to such investment bank in connection with such dispute (other than the Required Dispute Documentation).

(iii) The Company and the Holder shall cause such investment bank to determine the resolution of such dispute and notify the Company and the Holder of such resolution no later than 10 Trading Days immediately following the Dispute Submission Deadline. The fee and expenses of such investment bank shall be borne solely by the Company, and such investment bank's resolution of such dispute shall be final and binding upon all parties absent manifest error.

(b) Miscellaneous. The Company expressly acknowledges and agrees that (i) this Section 22 constitutes an agreement to arbitrate between the Company and the Holder (and constitutes an arbitration agreement) under the New York Civil Practice Law and Rules, as amended, (ii) a dispute relating to a Conversion Price includes, without limitation, disputes as to (A) whether an issuance or sale or deemed issuance or sale of Common Stock occurred under Section 7, (B) the consideration per share at which an issuance or deemed issuance of Common Stock occurred, (C) whether any issuance or sale or deemed issuance or sale of Common Stock was an issuance or sale or deemed issuance or sale of Excluded Securities, (D whether an agreement, instrument, security or the like constitutes and Option or Convertible Security and (E) whether a Dilutive Issuance occurred (iii) the terms of this Note and each other applicable Transaction Document shall serve as the basis for the selected investment bank's resolution of the applicable dispute, such investment bank shall be entitled (and is hereby expressly authorized) to make all findings, determinations and the like that such investment bank determines are required to be made by such investment bank in connection with its resolution of such dispute and in resolving such dispute such investment bank shall apply such findings, determinations and the like to the terms of this Note and any other applicable Transaction Documents, (iv) the Holder (and only the Holder), in its sole discretion, shall have the right to submit any dispute described in this Section 22 to any state or federal court sitting in New York County, New York in lieu of utilizing the procedures set forth in this Section 22 and (v) nothing in this Section 22 shall limit the Holder from obtaining any injunctive relief or other equitable remedies (including, without limitation, with respect to any matters described in this Section 22).

23. NOTICES. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in writing with an e-mail copy to the last address provided by the Holder or its agents in writing to the Company. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least 15 days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

24. CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

25. WAIVER OF NOTICE. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

26. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Except as otherwise required by Section 22 above, the Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein (i) shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder or (ii) shall limit, or shall be deemed or construed to limit, any provision of Section 22. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

27. SEVERABILITY. If any provision of this Note is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Note so long as this Note as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

28. MAXIMUM PAYMENTS. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

29. PAYMENTS UNDER THE NOTES. Any payment to Holder under this Note for principal or interest shall not be subject to any deduction, withholding or offset for any reason whatsoever except to the extent required by law, and the Company represents that to its best knowledge no deduction, withholding or offset is so required for any tax or any other reason. Notwithstanding any term or provision of this Note, the Purchase Agreement, the Warrant or the Guaranty Agreement (each is a "Transaction Agreement"), to the contrary, if it shall be determined that any payment (other than a payment with respect to indemnification by the Company to or for the benefit of the Holder pursuant to the terms of any Transaction Agreement), whether for principal, interest or otherwise and whether paid or payable or distributed or distributable, actual or deemed (a "Payment") would be or is subject to any deduction, withholding or offset due to any duty or tax (such duty or tax, together with any interest and/or penalties related thereto, hereinafter collectively referred to as the "Payment Tax"), and the Holder has not changed its domicile for tax purposes to a non-U.S. jurisdiction, then the Company shall, in addition to all sums otherwise payable, pay to the Holder an additional payment in cash (a "Gross-Up Payment") in an amount such that after all such Payment Taxes (whether by deduction, withholding, offset or payment), including any interest or penalties with respect to such taxes or any Payment Taxes (and any interest and penalties imposed with respect thereto) imposed upon any Gross-Up Payment, Holder actually receives an amount of Gross-Up Payment equal to the Payment Tax imposed upon the Payment (i.e., the Holder receives a net amount equal to the Payment). The Company shall timely remit such Payment Tax to the applicable governmental authority and shall provide evidence of such payment to Holder within 30 days of making such payment. Notwithstanding anything herein to the contrary, Holder agrees to repay to the Company the full amount of the Gross-Up Payment within 45 days of filing its federal tax return covering the period where the Gross-Up Payment was made.

30. CERTAIN DEFINITIONS. For purposes of this Note, the following words and terms shall have the following meanings:

(a) "**1933 Act**" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

(b) "**1934 Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(c) "**Adjustment Right**" means any right granted with respect to any securities issued in connection with, or with respect to, any issuance or sale (or deemed issuance or sale in accordance with Section 7) of shares of Common Stock (other than rights of the type described in Section 6(a) hereof) that could result in a decrease in the net consideration received by the Company in connection with, or with respect to, such securities (including, without limitation, any cash settlement rights, cash adjustment or other similar rights).

(d) "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that "control" of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(e) "**Alternate Conversion Price**" means, with respect to any Alternate Conversion, that price which shall be the lowest of (i) the applicable Conversion Price as in effect on the applicable Conversion Date of the applicable Alternate Conversion, (ii) 70% of the lowest Closing Price of the Common Stock during the 20 consecutive Trading Day period ending and including the earlier of the date the Conversion Trigger Event occurs and date of delivery or deemed delivery of the applicable notice of conversion (such period, the "**Alternate Conversion Measuring Period**"). All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such Alternate Conversion Measuring Period.

(f) "**Approved Stock Plan**" means any employee benefit plan which has been approved by the board of directors of the Company prior to or subsequent to the Issuance Date pursuant to which shares of Common Stock and standard options to purchase Common Stock may be issued to any employee, officer or director for services provided to the Company in their capacity as such.

(g) "**Attribution Parties**" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Issuance Date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Common Stock would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the 1934 Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(h) "**Black Scholes Consideration Value**" means the value of the applicable Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (iii) a zero cost of borrow and (iv) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the "HVT" function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be).

(i) "**Bloomberg**" means Bloomberg, L.P., or any successor.

(j) "**Change of Control**" means any Fundamental Transaction other than (i) any merger of the Company or any of its, direct or indirect, wholly-owned Subsidiaries with or into any of the foregoing Persons, (ii) any reorganization, recapitalization or reclassification of the shares of Common Stock in which holders of the Company's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, are, in all material respects, the holders of the voting power of the surviving entity (or entities with the authority or voting power to elect the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities) after such reorganization, recapitalization or reclassification, or (iii) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company or any of its Subsidiaries.

(k) "**Closing Sale Price**" means, for any security as of any date, the last closing trade price, respectively, for such security on a Principal Market, as reported by Bloomberg, or, if the applicable Principal Market begins to operate on an extended hours basis and does not designate the closing trade price then the last trade price of such security prior to 4:00 p.m., New York time, as reported by Bloomberg, or, if a Principal Market is not the principal securities exchange or trading market for such security, the last trade price, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported by OTC Markets Group Inc. or any successor. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock splits, stock dividends, stock combinations, recapitalizations or other similar transactions during such period.

(l) "**Common Stock**" means (i) the Company's shares of common stock, $0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(m) "**Convertible Securities**" means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(n) "**Current Subsidiary**" means any Person in which the Company on the Issuance Date, directly or indirectly, (i) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**Current Subsidiaries**".

(o) "**Equity Conditions**" means with respect to the applicable date of determination, (a) reserved; (b) the Common Stock issuable upon conversion of the Note and exercise of the Warrants may be publicly sold pursuant to an effective registration statement, if filed, and in compliance with Section 5(b) of the 1933 Act; (c) on each day during the period beginning one month prior to the applicable date of determination and ending on such applicable date of determination (the "**Equity Conditions Measuring Period**"), the Common Stock is listed or designated for quotation (as applicable) on a Principal Market and shall not have been suspended from trading on any such Principal Market, nor shall delisting or suspension by a Principal Market have been threatened (with a reasonable prospect of delisting occurring after giving effect to all applicable notice, appeal, compliance and hearing periods) or reasonably likely to occur or pending as evidenced by (A) a writing by such Principal Market or (B) the Company falling below the minimum listing maintenance requirements of the Principal Market on which the Common Stock is then listed or designated for quotation (as applicable); (d) on each day during the Equity Conditions Measuring Period, the Company shall have delivered all shares of Common Stock issuable upon conversion of this Note and each other Transaction Document on a timely basis; (e) [reserved]; (f) any shares of Common Stock to be issued in connection with the provisions of any Transaction Document may be issued in full without violating the rules or regulations of the Principal Market on which the Common Stock is then listed or designated for quotation (as applicable); (g) reserved; (h) reserved; (i) on each day during the Equity Conditions Measuring Period, the Company otherwise shall have been in material compliance with each, and shall not have breached any, material term, provision, covenant, representation or warranty of any Transaction Document; (j) on each day during the Equity Conditions Measuring Period there shall not have occurred an Event of Default or an event that with the passage of time or giving of notice would constitute an Event of Default; (k) reserved; (l) the Common Stock shall be DWAC Eligible as of each day a Prepayment Notice is delivered to the Company or other date of determination; (m) reserved; (n) reserved; (o) the Company or the Transfer Agent, as applicable, does not deliver to the applicable Holder freely tradable shares within five days following the date such shares were required to be delivered to the applicable Holder as set forth herein; (p) reserved; (q) on the applicable date of determination (1) no Authorized Share Failure shall exist or be continuing, (2) the number of Common Stock available under the certificate of incorporation of the Company and reserved by the Company to be issued pursuant to the Notes shall be greater than the Required Reserve Amount, and (3) all shares of Common Stock to be issued in connection with the event requiring this determination may be issued in full without resulting in an Authorized Share Failure; (r) no bone fide dispute shall exist, by and between any of holder of Notes or Warrants, the Company, a Principal Market and/or the Financial Industry Regulatory Authority with respect to any term or provision of any Note or any other Transaction Document, and (s) the shares of Common Stock issuable pursuant the event requiring the satisfaction of the Equity Conditions (or issuable upon conversion of the Conversion Amount being redeemed in the event requiring this determination at the Conversion Price then in effect (without regard to any limitations on conversion set forth herein)) are duly authorized. The Holder agrees and acknowledges that this provision governing Equity Conditions shall not apply until the earlier to occur of: (i) the expiration of six months from the date of this Note, or (ii) the Common Stock issuable upon conversion of the Note may be publicly sold pursuant to an effective registration statement in compliance with Section 5(b) of the 1933 Act. Notwithstanding the foregoing or anything contained herein to the contrary, Equity Conditions (q) contained in this definition shall apply beginning on the Issuance Date and at all times thereafter.

(p) "**Equity Conditions Failure**" means that any of the Equity Conditions was not satisfied at all times during an applicable Equity Conditions Measuring Period or on the day a Prepayment Notice is delivered to the Company.

(q) "**Event Market Price**" means, with respect to any Stock Combination Event Date, the per share price of the Common Stock on the Trading Day of such Stock Combination Event Date, after giving effect to such Stock Combination Event.

(r) "**Excluded Securities**" means (i) shares of Common Stock or standard options to purchase Common Stock issued to directors, officers or employees of the Company for services rendered to the Company in their capacity as such pursuant to an Approved Stock Plan (as defined above) provided that (A) all such issuances (taking into account the shares of Common Stock issuable upon exercise of such options) after the Issuance Date pursuant to this clause (i) do not, in the aggregate, exceed more than 5% of the Common Stock issued and outstanding immediately prior to the Issuance Date and (B) the exercise price of any such options is not lowered, none of such options are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such options are otherwise materially changed in any manner that adversely affects the Holder.

(s) "**Fundamental Transaction**" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock not held by all such Subject Entities as of the date of this Note calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other shareholders of the Company to surrender their shares of Common Stock without approval of the shareholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(t) "**GAAP**" means United States generally accepted accounting principles, consistently applied.

(u) "**Group**" means a "group" as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(v) "**Indebtedness**" means (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, "capital leases" in accordance with GAAP) (other than trade payables entered into in the ordinary course of business consistent with past practice which have been past due less than 90 days), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person that owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(w) "**Material Adverse Effect**" means any material adverse effect on (i) the business, properties, assets, liabilities, operations (including results thereof), growth opportunities which are known, obtainable and material to the Company and not capable of being mitigated by other opportunities available to the Company, or condition (financial or otherwise) of the Company or any Subsidiary, individually or taken as a whole, (ii) the transactions contemplated hereby or in any of the other Transaction Documents or any other agreements or instruments to be entered into in connection herewith or therewith or (iii) the authority or ability of the Company or any of its Subsidiaries to perform any of their respective obligations under any of the Transaction Documents (as defined below).

(x) "**Maturity Date**" shall mean the date listed in the preamble hereto as the Maturity Date; provided, however, the Maturity Date may be extended at the option of the Holder (i) in the event that, and for so long as, an Event of Default shall have occurred and be continuing or any event shall have occurred and be continuing that with the passage of time and the failure to cure would result in an Event of Default or (ii) through the date that is 20 Trading Days after the consummation of a Fundamental Transaction in the event that a Fundamental Transaction is publicly announced or a Change of Control Notice is delivered prior to the Maturity Date.

(y) "**New Subsidiary**" means, as of any date of determination, any Person in which the Company after the Issuance Date, directly or indirectly, (i) owns or acquires any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**New Subsidiaries**".

(z) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(aa) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on a Principal Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(bb) "**Permitted Indebtedness**" means (i) Indebtedness evidenced by this Note and, (ii) Indebtedness set forth on Schedule 29(dd) hereto, as in effect as of the Issuance Date and (iii) Indebtedness secured by Permitted Liens.

(cc) "**Permitted Liens**" means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) purchase money equipment Liens in an aggregate amount not to exceed $50,000, (v) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clause (iv) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase, (vi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of custom duties in connection with the importation of goods, and (vii) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 4(a)(x).

(dd) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(ee) "**Principal Market**" means any of The New York Stock Exchange, the NYSE American, the Nasdaq Capital Market, the Nasda Global Select Market, the Nasdaq Global Market, the Canadian Securities Exchange, the OTCQB, the OTCQX, the OTC Pink or any other ma operated by the OTC Markets Group Inc. or any successors of any of these exchanges or markets.

(ff) "**Prepayment Notices**" means, collectively, the Event of Default Prepayment Notices, the Company Optional Prepayment Notices an the Change of Control Prepayment Notices, and each of the foregoing, individually, a "**Prepayment Notice**."

(gg) "**Prepayment Premium**" means 112.5%.

(hh) "**Prepayment Prices**" means, collectively, Event of Default Prepayment Prices, the Change of Control Prepayment Prices, th Prepayment Conversion Price and the Company Optional Prepayment Prices, and each of the foregoing, individually, a "**Prepayment Price**."

(ii) "**SEC**" means the United States Securities and Exchange Commission or the successor thereto.

(jj) "**SPA**" means that certain Securities Purchase Agreement (as amended, restated, modified and/or supplemented from time to time) by and between the Company and the Holder, dated March 1, 2019.

(kk) "**Subsidiaries**" means, as of any date of determination, collectively, all Current Subsidiaries and all New Subsidiaries, and each of the foregoing, individually, a "**Subsidiary**."

(ll) **"Subject Entity**" means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(mm) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(nn) "**Trading Day**" means, as applicable, (x) with respect to all price or trading volume determinations relating to the Common Stock, any day on which the Common Stock is traded on a Principal Market, or, if a Principal Market is not the principal trading market for the Common Stock then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(oo) "**Transaction Documents**" means this Note, the SPA, the Warrant, the Security Agreement, and any other documents relating to the issuance of the Note by the Company to the Holder.

(pp) "**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on a Principal Market (or, if a Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg through its "HP" function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported by OTC Markets Group Inc. If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period.

(qq) "**Warrant**" means that certain Common Stock Purchase Warrant dated as of the Issuance Date, substantially in the form attached hereto as Exhibit IV.

31. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Note, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall within one Trading Day after any such receipt or delivery publicly disclose such material, non-public information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries. If the Company or any of its Subsidiaries provides material non-public information to the Holder that is not simultaneously filed in a Current Report on Form 8-K and the Holder has not agreed to receive such material non-public information, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, Affiliates or agents with respect to, or a duty to any of the foregoing not to trade on the basis of, such material non-public information.

32. Senior Security Interest. Holder, as Collateral Agent (as defined in the SPA), for the ratable benefit of the Holder and its assigns, has been granted a senior security interest in certain assets of the Company and its Subsidiaries as more fully described in that certain Security Agreement by and among the Company, its Subsidiaries and the Holder, dated of even date herewith (the "**Security Agreement**"), and the other Transaction Documents.

[*signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

HELIX TCS, INC.

By: _____
Name:
Title:

EXHIBIT I

HELIX TCS, INC.

CONVERSION NOTICE

Reference is made to the Secured Convertible Promissory Note (the "**Note**") issued to the undersigned by Helix TCS, Inc., a Delaware corporation (the "**Company**"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, $0.001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below. Capitalized terms not defined herein shall have the meaning as set forth in the Note.

Date of Conversion: _____

Aggregate Principal to be converted: _____

Aggregate accrued and unpaid Interest and accrued with respect to such portion of the Aggregate Principal and such Aggregate Interest to be converted:

AGGREGATE CONVERSION AMOUNT TO BE CONVERTED: _____

Please confirm the following information:

Conversion Price: _____

Number of shares of Common Stock to be issued: _____

☐ If this Conversion Notice is being delivered with respect to an Alternate Conversion, check here if the Holder is electing to use the following Alternate Conversion Price:_____

Please issue the Common Stock into which the Note is being converted to the Holder, or for its benefit, as follows:

☐ Check here if requesting delivery as a certificate to the following name and to the following address:

Issue to: _____

_____

_____

☐ Check here if requesting delivery by Deposit/Withdrawal at Custodian as follows:

DTC Participant: _____

DTC Number: _____

Account Number: _____

Date: _____ __,

Name of Registered Holder

By: _____
Name:
Title:

Tax ID:_____

Facsimile:_____

E-mail Address:

EXHIBIT II
ACKNOWLEDGMENT

The Company hereby (a) acknowledges this Conversion Notice, (b) certifies that the above indicated number of shares of Common Stock [are][are not] eligible to be resold by the Holder either (i) pursuant to Rule 144 (subject to the Holder's execution and delivery to the Company of a customary 144 representation letter) or (ii) an effective and available registration statement and (c) hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____.

HELIX TCS, INC.

By: _____
Name:
Title:

EXHIBIT III

[Name and address] Date: _____

PREPAYMENT NOTICE

The above-captioned Company hereby gives notice to Helix TCS, Inc., a Delaware corporation (the "**Company**"), pursuant to that certain Secured Convertible Promissory Note made by Company in favor of the Holder on March 1, 2019 (the "**Note**"), that Company elects to prepay a portion of the Note in conversion shares or in cash as set forth below. In the event of a conflict between this Prepayment Notice and the Note, the Note shall govern, or, in the alternative, at the election of the Company in its sole discretion, the Company may provide a new form of Prepayment Notice to conform to the Note. Capitalized terms used in this notice without definition shall have the meanings given to them in the Note.

PREPAYMENT INFORMATION

A. Prepayment Date: _____, 201__
B. Prepayment Amount: _____
C. Portion of Prepayment Amount to be Paid in Cash: _____
D. Portion of Prepayment Amount to be Converted into Common Stock: _____ (B minus C)
E. Prepayment Conversion Price: _____
F. Prepayment Conversion Shares: _____ (D divided by E)
G. Remaining Outstanding Principal of Note: _____ *

* Subject to adjustments for corrections, defaults, interest and other adjustments permitted by the Transaction Documents, the terms of which shall control in the event of any dispute between the terms of this Prepayment Notice and such Transaction Documents.

2. EQUITY CONDITIONS CERTIFICATION (Section to be completed by the Company)

A. Market Capitalization:_____

(Check One)

B. _____ Company herby certifies that no Equity Conditions Failure exists as of the day the applicable Prepayment Notice was delivered to the Company.

C. _____ Company hereby gives notice that an Equity Conditions Failure has occurred and requests a waiver from Company with respect thereto. The Equity Conditions Failure is as follows:

_____
_____
_____
_____

Please transfer the Prepayment Conversion Shares, if applicable, electronically (via DWAC) to the following account:

Broker: _____
DTC#: _____
Account #: _____
Account Name: _____

Address: _____
_____
_____
_____
_____

To the extent the Prepayment Conversion Shares are not able to be delivered to the Company electronically via the DWAC system, deliver all such certificated shares to the Company via reputable overnight courier after receipt of this Prepayment Notice (by facsimile transmission or otherwise) to:

_____
_____
_____

Sincerely,

Company:

_____

EXHIBIT IV
FORM OF WARRANT

SCHEDULE 29(dd)
PERMITTED INDEBTEDNESS

SECURED CONVERTIBLE PROMISSORY NOTE

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURI WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SEC UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUES THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQ UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SA NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE SECURED CONVERTIBLE PROMISSORY NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS SECURED CONV PROMISSORY NOTE. THE PRINCIPAL AMOUNT REPRESENTED BY THIS SECURED CONVERTIBLE PROMISSORY NO ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE DIFFERENT THAN THE AMOU FORTH ON THE FACE HEREOF.

HELIX TCS, INC.
CONVERTIBLE PROMISSORY NOTE DUE MARCH 1, 2020

Issuance Date: March 1, 2019 Principal Amount: $1,500,000

FOR VALUE RECEIVED, Helix TCS, Inc., a Delaware corporation (the "**Company**"), hereby promises to pay to the order of Rose Capital Fund I, LP, or its registered assigns (the "**Holder**") the amount set forth above as the original principal amount (as reduced pursuant to the terms hereof pursuant to prepayment, conversion or otherwise, the "**Principal**") when due, whether upon March 1, 2020 (the "**Maturity Date**"), or upon acceleration, prepayment or otherwise (in each case in accordance with the terms hereof) and to pay interest ("**Interest**") on any outstanding Principal at the applicable Interest Rate (as defined below) from the date set forth above as the Issuance Date (the "**Issuance Date**") until the same becomes due and payable, whether upon the Maturity Date or upon acceleration, conversion, prepayment or otherwise (in each case in accordance with the terms hereof). This Secured Convertible Promissory Note (this "**Note**") is issued to the Holder as of the Issuance Date by the Company. Certain capitalized terms used herein are defined in Section 30; each capitalized term used but not defined herein shall have the meaning ascribed to it in that certain Securities Purchase Agreement dated as of the date hereof, among the Company and the Purchasers party thereto.

1. PAYMENTS OF PRINCIPAL.

(a) On the Maturity Date, the Company shall pay to the Holder an amount in cash representing all outstanding Principal, accrued and unpai Interest through and including the Maturity Date (collectively, the "**Outstanding Amount**"); provided that, if the Company's consolidated balance sheet as of the end of each of the three months ended immediately prior to the Maturity Date reflects an average balance less than $750,000 in unrestricted cash and the Company is unable to pay the entire Outstanding Amount in cash (the "**Conversion Trigger Event**"), then the Holder shall convert all or a portion of the Outstanding Amount, such converted amount being mutually agreed upon between the Company and the Holder (and each party agrees that such agreement will not be unreasonably withheld), into Common Stock of the Company in accordance with Section 3.

(b) No later than five (5) Business Days after the closing of Qualified Offering by the Company, the Company shall use the proceeds thereo to prepay the Outstanding Amount of this Note in accordance with Section 8 hereof. "**Qualified Offering**" means any offering by the Company of any equity or debt securities to any third party (other than the Holder), in one or a series of related transactions, resulting in net proceeds of new money of at least $5,000,000 in the aggregate.

(c) The Company may voluntarily prepay the Principal in cash, along with Interest accrued to and including the date of such prepayment, in whole or in part at any time and from time to time without penalty, premium or fee, except as expressly set forth in Section 8 hereof.

2. INTEREST; INTEREST RATE.

(a) Simple interest on this Note shall commence accruing on the Issuance Date at an aggregate rate of 25% per annum (together with any increases under Section 2(d) hereof, the "**Aggregate Interest Rate**") subject to adjustment in accordance with the terms of this Section 2 (the "**Interest Rate**"), and shall be computed on the basis of a 360-day year and twelve 30-day months. The Aggregate Interest Rate is comprised of (i) interest at a rate of 12.5% per annum (together with any increases under Section 2(d) hereof, the "**Cash Interest Rate**") accruing with respect to the Principal outstanding from the Issuance Date or immediately preceding Cash Interest Payment Date, as applicable, to and including the applicable Cash Interest Payment Date (the "**Cash Interest**"), which amount shall be payable in cash as set forth in Section 2(b) hereof, and (ii) interest at a rate of 12.5% per annum (together with any increases under Section 2(d) hereof, the "**PIK Interest Rate**") accruing with respect to the Principal outstanding from the Issuance Date or immediately preceding PIK Interest Payment Date, as applicable, to and including the applicable PIK Interest Payment Date (the "**PIK Interest**"), which amount shall be payable in Common Stock of the Company as set forth in Section 2(c) hereof.

(b) Cash Interest shall be payable by the Company to the Holder, in cash, on the day that is 5 Business Days after the last Business Day of each calendar quarter while this Note remains outstanding (each, a "**Cash Interest Payment Date**"). All accrued and unpaid Cash Interest not otherwise paid on a Cash Interest Payment Date shall be due on the Maturity Date or upon acceleration, prepayment or otherwise (in each case in accordance with the terms hereof).

(c) PIK Interest shall be payable by the Company to the Holder, in shares of Common Stock of the Company, on the day that is 5 Busines Days after the last Business Day of each calendar quarter while this Note remains outstanding (each, a "**PIK Interest Payment Date**"), with the number of shares of Common Stock issuable upon each PIK Interest Payment Date equal to the quotient obtained by dividing (i) the dollar value o the interest payment by either (ii) a per share price equal to the lower of $0.90 and the 30-day VWAP as of the Trading Day immediately prior to the PIK Interest Payment Date or (iii) the fair market value of the shares on such date; in each case at the discretion of the Holder. All accrued an unpaid PIK Interest not otherwise paid on a PIK Interest Payment Date shall be due on the Maturity Date or upon acceleration, prepayment otherwise (in each case in accordance with the terms hereof).

(d) From and after the occurrence and during the continuance of any Event of Default, each of the Cash Interest Rate and the PIK Intere Rate shall automatically be increased to 15.0% per annum, and the Aggregate Interest Rate shall be 30% per annum, or the highest amount permitte by law (the "**Default Rate**"), shall compound monthly, and shall be due and payable on the first Trading Day of each calendar month during the continuance of such Event of Default (a "**Default Interest Payment Date**"). In the event that such Event of Default is subsequently cured (and no other Event of Default then exists (including, without limitation, for the Company's failure to pay such Interest at the Default Rate on the applicable Default Interest Payment Date), the adjustment referred to in the preceding sentence shall cease to be effective as of the day immediately following the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shal continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of such cure of such Event of Default.

3. CONVERSION OF NOTE. Upon the Conversion Trigger Event, this Note shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below), on the terms and conditions set forth in this Section 3 (the "**Conversion**").

(a) Conversion Right. Upon the Conversion Trigger Event, pursuant to the terms of Section 1 hereof, the Company and the holder of this Note may convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into validly issued, fully paid and non-assessable shares of Common Stock in accordance with Section 3(b), at the Conversion Rate (as defined below). The Company shall not issue any fraction of share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent (as defined below)) that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Price (the "**Conversion Rate**").

(i) "**Conversion Amount**" means the sum of (x) portion of the Principal to be converted, prepaid or otherwise with respect to which this determination is being made and (y) all accrued and unpaid Interest with respect to such portion of the Principal amount as provided in Section 2(b) with respect to such portion of such Principal and such Interest, if any.

(ii) "**Conversion Price**" means, as of any Conversion Date, the share price of Common Stock of the Company equal to the lesse of (1) $0.90 and (2) a 30% discount to the Company's VWAP during the 30-day period ending on the Trading Day immediately prior to the Conversion Date, subject in each case to equitable adjustments resulting from any stock splits, stock dividends, combinations, recapitalizations or similar events. The Company shall issue irrevocable instructions to its Transfer Agent regarding conversions such that the transfer agent shall be authorized and instructed to issue shares of Common Stock to the Holder in accordance with this Note without further approval o authorization from the Company. The Conversion Price shall be rounded down to the nearest $.01.

(c) Mechanics of Conversion.

(i) Upon Conversion Trigger Event. To convert any Conversion Amount into shares of Common Stock on any date (a "**Conversion Date**"), within four (4) Trading Days after the occurrence of the Conversion Trigger Event, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation and representation as to whether such shares of Common Stock may then be resold pursuant to Rule 144 or an effective and available registration statement, in the form attached hereto as Exhibit II, to the Holder and the Transfer Agent which confirmation shall constitute an instruction to the Transfer Agent to process the Conversion in accordance with the terms herein. On or before the fifth Trading Day following the occurrence of the Conversion Trigger Event (or such earlier date as required pursuant to the 1934 Act or other applicable law, rule or regulation for the settlement of a trade initiated on the applicable Conversion Date of such shares of Common Stock issuable pursuant upon the Conversion Trigger Event) (the "**Share Delivery Deadline**"), the Company shall (1) provided that the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock t which the Holder shall be entitled pursuant to such conversion to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfe Program, upon the request of the Holder, issue and deliver (via reputable overnight courier) to the address specified in writing by the Holder, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled pursuant to such conversion. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note sha be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. Notwithstanding anything to the contrary contained in this Note, after the effective date of a registration statement registering the resale of the shares of Common Stock issuable upon a conversion of this Note and prior to the Holder's receipt of a notice that such registration statement is not available with respect thereto, the Company shall cause the Transfer Agent to deliver unlegended shares of Common Stock to the Holder (or its designee) in connection with any sale of shares of Common Stock issuable upon a conversion of this Note with respect to which the Holder has entered into a contrac for sale, and delivered a copy of the prospectus included as part of the particular registration statement to the extent applicable, and for which the Holder has not yet settled.

(ii) The Company's Failure to Timely Convert. If the Company shall fail, through fault of its own, on or prior to the applicable Share Delivery Deadline, if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, to issue and deliver to th Holder (or its designee) a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares o Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfe Program, to credit the balance account of the Holder or the Holder's designee with DTC for such number of shares of Common Stock to whic the Holder is entitled upon the Holder's conversion of this Note (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to the Holder, the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline that the issuanc of such shares of Common Stock is not timely effected an amount equal to 1% of the product of (A) the sum of the number of shares o Common Stock not issued to the Holder on or prior to the Share Delivery Deadline and to which the Holder is entitled, multiplied by (B) th VWAP of the Common Stock during the period beginning on the applicable Conversion Date and ending on the applicable Share Deliver Deadline.

(iii) Registration; Book-Entry. The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the Holder of the Note and the principal amount of the Note. The entries in the Register shall be conclusive and binding for a purposes absent manifest error. The Company and the holder or holders of the Note shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes (including, without limitation, the right to receive payments of Principal and Interest hereunder notwithstanding notice to the contrary. The Note may be assigned, transferred or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a written request to assign, transfer or sell all or part of the Note by the holder thereof, the Company shall record the information contained therein in the Register and issue one or more new Notes in the same aggregate principal amount as the principal amount of the surrendered Note to the designated assignee or transferee pursuant to Section 17, provided that if the Company does no so record an assignment, transfer or sale (as the case may be) of all or part of any Note within two Trading Days of such a request, then the Register shall be automatically deemed updated to reflect such assignment, transfer or sale (as the case may be). Notwithstanding anything to the contrary set forth in this Section 3, following conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted (i which event this Note shall be delivered to the Company following conversion thereof) or (B) the Holder has provided the Company with prio written notice requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain record showing the Principal and Interest converted and/or paid (as the case may be) and the dates of such conversions, and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion. If the Company does not update the Register to record such Principal and Interest converted and/or paid (as the case ma be) and the dates of such conversions, and/or payments (as the case may be) within two Trading Days of such occurrence, then the Register shall be automatically deemed updated to reflect such occurrence.

(iv) Pro Rata Conversion; Disputes. In the event that the Company is obligated to perform a Conversion hereunder and, on the same date, any holders of Options or other Convertible Securities desire to exercise or convert such Options and/or Securities, and the Company can issue securities with respect to some, but not all, of such Notes, Options or other Convertible Securities submitted for conversion or exercise, the Company shall first convert the entire Conversion Amount submitted for conversion on such date by the Holders of Notes on a pro rata basis based upon the Principal of the Conversion amounts of all Notes being converted, and shall thereafter issue securities in connection with the exercise or conversion, as applicable, by each holder of Options or other Convertible Securities electing to have Options or other Convertible Securities converted on such date (other than the Notes) a pro rata amount of such holder's portion of its Options or other Convertible Securities submitted for conversion based on the aggregate number of shares of Common Stock issuable upon exercise (or conversion) of all Options or other Convertible Securities submitted for conversion on such date (not including the Notes).

(d) Reserved.

(e) Alternate Conversion.

(i) General. At any time after the occurrence of an Event of Default and during any Event of Default Prepayment Right Period (a defined below), the Holder may, at the Holder's sole discretion, convert (each, an "**Alternate Conversion**", and the date of such Alternate Conversion, each, an "**Alternate Conversion Date**") all, or any part of, in one or several times, the entire Conversion Amount under the outstanding amount of the Note (such portion of the Conversion Amount subject to such Alternate Conversion, the "**Alternate Conversion Amount**") into shares of Common Stock at the Alternate Conversion Price in accordance with Section 3(e)(ii) below. For the avoidance of doubt, during any Event of Default Prepayment Right Period, the Holder may, in lieu of a conversion pursuant to Section 3(a) hereof voluntarily convert all, or any part of, the entire Conversion Amount, and shall not be limited with respect to the number of times the Holder may convert the Conversion Amount or value of the Conversion Amount so converted.

(ii) Mechanics of Default Alternate Conversion. On any Alternate Conversion Date, the Holder may voluntarily convert any Alternate Conversion Amount pursuant to Section 3(b) (with "Alternate Conversion Price" replacing "Conversion Price" for all purposes hereunder with respect to such Alternate Conversion and, with the "Event of Default Prepayment Price" replacing "Conversion Amount" in clause (x) of the definition of Conversion Rate above with respect to such Alternate Conversion) by designating in a Notice to the Company delivered pursuant to this Section 3(e)(ii) of this Note that the Holder is electing to use the Alternate Conversion Price for such conversion.

4. RIGHTS UPON EVENT OF DEFAULT.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**" and each of the events in clauses (vii), (viii) and (ix) shall constitute a "**Bankruptcy Event of Default**":

(i) the suspension from trading or the failure of the Common Stock to be trading or listed (as applicable) on a Principal Market for a period of five consecutive Trading Days;

(ii) the Company's (A) failure to cure a Conversion Failure by delivery of the required number of shares of Common Stock within five Trading Days after the applicable Conversion Date or (B) notice, written or oral, to any holder of the Note, including, without limitation, by way of public announcement or through any of its agents, at any time, of its intention not to comply, as required, with a request for conversion of the Note into shares of Common Stock that is requested in accordance with the provisions of the Note;

(iii) except to the extent the Company is in compliance with Section 10 below, at any time following the 10th consecutive day that the Holder's Required Reserve Amount (as defined in Section 10(a) below) is less than the number of shares of Common Stock that the Holde would be entitled to receive upon a conversion of the full Conversion Amount of this Note and the Warrants in accordance with Section 10(a) hereof (without regard to any limitations on conversion set forth herein);

(iv) the Company's or any Subsidiary's failure to pay to the Holder any amount of Principal (subject to the terms of Sections 1 and 3), Interest or other amounts when and as due under this Note (including, without limitation, the Company's or any Subsidiary's failure to pay any prepayment payments or amounts hereunder) or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby, except, in the case of a failure to pay Interest when and as due, in which case only if such failure remains uncured for a period of at least ten Trading Days;

(v) the Company fails to remove any restrictive legend on any certificate or any shares of Common Stock issued to the Holder upon conversion of this Note as and when required by this Note, unless otherwise then prohibited by applicable federal securities laws, and any such failure remains uncured for at least five days;

(vi) the occurrence of any default under, - or acceleration prior to maturity of at least an aggregate of $100,000 of Indebtedness of the Company or any of its Subsidiaries;

(vii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within 30 days of their initiation;

(viii) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a Uniform Commercial Code foreclosure sale or any other similar action under federal, state or foreign law;

(ix) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of 30 consecutive days;

(x) a final judgment or judgments for the payment of money aggregating in excess of $250,000 are rendered against the Company and/or any of its Subsidiaries and which judgment(s) is(are) not, within 30 days of when due pursuant to the terms of such judgement, or within any applicable grace period, bonded, discharged, settled or stayed pending appeal, or are not discharged within 10 days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $250,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity within 10 days of the issuance of such judgment;

(xi) the Company and/or any Subsidiary, individually or in the aggregate, either (i) fails to pay, when due, or within any applicable grace period, any payment with respect to any Indebtedness in excess of $100,000 due to any third party (other than, with respect to unsecured Indebtedness only, payments contested by the Company and/or such Subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with GAAP) or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $100,000, which breach or violation permits the other party thereto to declare a default or otherwise accelerate amounts due thereunder, or (ii) suffer to exist any other circumstance or event that would, with or without the passage of time or the giving of notice, result in a default or event of default under any agreement binding the Company or any Subsidiary, which default or event of default would or is likely to have a Material Adverse Effect on the business, assets, operations (including results thereof), liabilities, properties, condition (including financial condition) or prospects of the Company or any of its Subsidiaries, individually or in the aggregate;

(xii) other than as specifically set forth in another clause of this Section 4(a), the Company or any Subsidiary breaches any representation or warranty in any material respect (other than representations or warranties subject to materiality limitations, which may not be breached in any respect) or any covenant or other term or condition of any Transaction Document, except, in the case of a breach of a covenant or other term or condition that is curable, only if such breach remains uncured for a period of five consecutive Trading Days;

(xiii) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company as to whether any Event of Default has occurred;

(xiv) any breach or failure in any respect by the Company or any Subsidiary to comply with any provision of Section 12 of this Note;

(xv) any Material Adverse Effect occurs;

(xvi) any provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document; or

(xvii) The Company breaches any Transaction Document or any other notes or other documents evidencing the indebtedness of the Company (regardless of whether such breach would constitute an Event of Default under any Transaction Document), and the Company fails to remedy such breach within thirty days after becoming aware of such breach.

(xviii) Failure to satisfy any Equity Condition, except for Equity Conditions (a), (b), (k), (m) or (n).

(b) Notice of an Event of Default; Prepayment Right Upon the occurrence of an Event of Default with respect to this Note, the Company shall within one Trading Day deliver written notice thereof via facsimile or electronic mail and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default (such earlier date, the "**Event of Default Right Commencement Date**") and ending (such ending date, the "**Event of Default Right Expiration Date**", and each such period, an "**Event of Default Prepayment Right Period**") on the 20th Trading Day after the later of (x) the date such Event of Default is cured and (y) the Holder's receipt of an Event of Default Notice that includes a reasonable description of the applicable Event of Default, the Holder may require the Company to prepay (regardless of whether such Event of Default has been cured on or prior to the Event of Default Right Expiration Date) all or any portion of this Note by delivering written notice thereof (the "**Event of Default Prepayment Notice**") to the Company, which Event of Default Prepayment Notice shall indicate the portion of this Note the Holder is electing to have prepaid. Each portion of this Note subject to prepayment by the Company pursuant to this Section 4(b) shall be prepaid by the Company at a price equal to the greater of (i) the product of (A) the Conversion Amount to be prepaid multiplied by (B) the Prepayment Premium and (ii) the product of (X) the Conversion Rate with respect to the Conversion Amount in effect at such time as the Holder delivers an Event of Default Prepayment Notice multiplied by (Y) the product of (1) the Prepayment Premium multiplied by (2) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Event of Default and ending on the date the Company makes the entire payment required to be made under this Section 4(b) (the "**Event of Default Prepayment Price**"). Prepayments required by this Section 4(b) shall be made in accordance with the provisions of Section 11. To the extent prepayments required by this Section 4(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such prepayments shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 4(b), the Conversion Amount submitted for prepayment under this Section 4(b) may be converted, in whole or in part, into Common Stock pursuant to the terms of Sections 1 and 3 of this Note. In the event of the Company's prepayment of any portion of this Note under this Section 4(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 4(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Any prepayment upon an Event of Default shall not constitute an election of remedies by the Holder, and all other rights and remedies of the Holder shall be preserved.

(c) Mandatory Prepayment upon Bankruptcy Event of Default Notwithstanding anything to the contrary herein, and notwithstanding any conversion that is then required or in process, upon any Bankruptcy Event of Default, whether occurring prior to or following the Maturity Date, the Company shall immediately pay to the Holder an amount in cash representing (i) all outstanding Principal and accrued and unpaid Interest, multiplied by (ii) the Prepayment Premium, in addition to any and all other amounts due hereunder, without the requirement for any notice or demand or other action by the Holder or any other person or entity, provided that the Holder may, in its sole discretion, waive such right to receive payment upon a Bankruptcy Event of Default, in whole or in part, and any such waiver shall not affect any other rights of the Holder hereunder, including any other rights in respect of such Bankruptcy Event of Default, any right to conversion, and any right to payment of the Event of Default Prepayment Price or any other Prepayment Price, as applicable.

5. RIGHTS UPON FUNDAMENTAL TRANSACTION.

(a) Repay or Convert. In the event of a Fundamental Transaction, the Holder will convert this Note or accept prepayment as provided for herein. In the event this Note is not converted or prepayment is not accepted, the Company will have no further liability to Holder under this Note.

(b) Notice of a Change of Control; Prepayment Right No sooner than 20 Trading Days nor later than 10 Trading Days prior to the consummation of a Change of Control (the "**Change of Control Date**"), but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile or electronic mail and overnight courier to the Holder (a "**Change of Control Notice**"). At any time during the period beginning after the Holder's receipt of a Change of Control Notice or the Holder becoming aware of a Change of Control if a Change of Control Notice is not delivered to the Holder in accordance with the immediately preceding sentence (as applicable) and ending on the later of 20 Trading Days after (A) consummation of such Change of Control or (B) the date of receipt of such Change of Control Notice, the Holder may require the Company to prepay all or any portion of this Note by delivering written notice thereof ("**Change of Control Prepayment Notice**") to the Company, which Change of Control Prepayment Notice shall indicate the Conversion Amount the Holder is electing to prepay. The portion of this Note subject to prepayment pursuant to this Section 5(b) shall be prepaid by the Company in cash at a price equal to the product of (w) the Prepayment Premium multiplied by (y) the Conversion Amount being prepaid (the "**Change of Control Prepayment Price**"). Prepayments required by this Section 5(b) shall be made in accordance with the provisions of Section 11 and shall have priority to payments to stockholders in connection with such Change of Control. To the extent prepayments required by this Section 5(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such prepayments shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5(b), but subject to Section 5(a), until the Change of Control Prepayment Price is paid in full, the Conversion Amount submitted for prepayment under this Section 5(b) may be converted, in whole or in part, by the Holder into Common Stock pursuant to Sections 1 and 3. In the event of the Company's prepayment of any portion of this Note under this Section 5(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 5(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

6. RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS AND OTHER CORPORATE EVENTS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 7 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to all or substantially all of the record holders of any class of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the Alternate Conversion Price as of the applicable record date) immediately prior to the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Purchase Right (and beneficial ownership) to the extent of any such excess) and such Purchase Right to such extent shall be held in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable) for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right held similarly in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable)) to the same extent as if there had been no such limitation).

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that the Holder will thereafter have the right to receive upon a conversion of this Note, at the Holder's option (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by the Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of this Note) or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Holder. The provisions of this Section 6 shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion or prepayment of this Note.

7. RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

The provisions of this Section 7 shall apply each time the Company, while this Warrant or the Note is outstanding, shall issue any securities with a Dilutive Issuance Price. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 7 with respect to an Exempt Issuance (as define in the Purchase Agreement).

(a) Adjustment of Conversion Price upon Issuance of Common Stock If the Company at any time while this Note is outstanding, issues or sells any additional shares of Common Stock or Common Stock Equivalents (hereafter defined) ("Additional Shares of Common Stock") at a price pe share less than the Conversion Price then in effect or without consideration (a "Dilutive Issuance" based on a "Dilutive Issuance Price"), then th Conversion Price upon each such issuance shall be adjusted to equal the Dilutive Issuance Price.

(b) Record Date. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares o Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issuance or sale of the shares o Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(c) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock Without limiting any other provisions of this Section 7, if the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any other provisions of this Section 7, if the Company at any time on or after the Issuance Date combines (by any reverse stock split, or stock combination, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(c) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(c) occurs during the period that a Conversion Price is calculated hereunder then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(d) The Holder's Right of Adjusted Conversion Price In addition to and not in limitation of the other provisions of this Section 7, if the Company in any manner issues or sells or enters into any agreement to issue or sell, any Common Stock, Options or Convertible Securities (any such securities, "**Variable Price Securities**"), after the Issuance Date that are issuable pursuant to such agreement or convertible into or exchangeable or exercisable for shares of Common Stock at a price which varies or may vary with the market price of the shares of Common Stock, including by way of one or more reset(s) to a fixed price, but exclusive of such formulations reflecting customary anti-dilution provisions (such as share splits, share combinations, share dividends and similar transactions) (each of the formulations for such variable price being herein referred to as, the "**Variable Price**"), the Company shall provide written notice thereof via facsimile or email to the Holder on the date of such agreement and the issuance of such Convertible Securities or Options. From and after the date the Company enters into such agreement or issues any such Variable Price Securities, the Holder shall have the right, but not the obligation, in its sole discretion to substitute the Variable Price for the Conversion Price upon conversion of this Note by designating in a notice delivered upon any conversion of this Note that solely for purposes of such conversion the Holder is relying on the Variable Price rather than the Conversion Price then in effect. The Holder's election to rely on a Variable Price for a particular conversion of this Note shall not obligate the Holder to rely on a Variable Price for any future conversion of this Note.

(e) Stock Combination Event Adjustments. If at any time and from time to time on or after the Issuance Date there occurs any stock split stock dividend, stock combination, reverse split, recapitalization or other similar transaction involving the Common Stock (each, a "**Stock Combination Event**", and such date thereof, the "**Stock Combination Event Date**") and the Event Market Price is different than the Conversion Price then in effect (after giving effect to the adjustment in Section 7(c) above), then the Conversion Price shall be equal to the Event Market Price.

(f) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 7(f) will increase the Conversion Price as otherwise determined pursuant to this Section 7, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding absent manifest error and whose fees and expenses shall be borne by the Company.

(g) Calculations. All calculations under this Section 7 shall be made by rounding to the nearest cent or the nearest $1/100^{th}$ of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(h) Voluntary Adjustment by the Company. The Company may at any time during the term of this Note, with the prior written consent of the Holder, reduce the then current Conversion Price of the Note to any amount and for any period of time deemed appropriate by the board of directors of the Company.

8. PREPAYMENT.

(a) Prepayment By the Company. At any time after the Issuance Date, the Company shall have the right (and, in connection with prepayments under Section 1(b), the obligation) to prepay all or a portion of the Principal then remaining under this Note, together with all Interest as set forth in Section 2(b) (each, a "**Company Optional Prepayment Amount**") on the Company Optional Prepayment Date (as defined below) (a "**Company Optional Prepayment**") in cash at a price (the "**Company Optional Prepayment Price**") equal to (i) if the Company Optional Prepayment Date occurs during the first 6 months this Note is outstanding, the product equal to the Prepayment Premium multiplied by the amount of Principal being prepaid plus all Interest accrued through such date, and (ii) if the Company Optional Prepayment Date occurs after the first 6 months this Note is outstanding, 100% of the amount of Principal being prepaid plus all Interest accrued through such date. The Company may exercise its right to prepay the Note under this Section 8(a) by delivering a written notice thereof by facsimile or electronic mail and overnight courier to the Holder (the "**Company Optional Prepayment Notice**" and the date the Holder receives such notice is referred to as the "**Company Optional Prepayment Notice Date**"). Each Company Optional Prepayment Notice delivered by the Company to the Holder shall be irrevocable. Each Company Optional Prepayment Notice shall (x) state the date on which the Company Optional Prepayment shall occur (the "**Company Optional Prepayment Date**") which date shall not be less than 10 Trading Days and nor more than 30 days following the Company Optional Prepayment Notice Date; (y) state the aggregate Principal of the Note which is being prepaid in such Company Optional Prepayment pursuant to this Section 8(a) on the Company Optional Prepayment Date; and (z) state the aggregate Interest of the Note which is being prepaid in such Company Optional Prepayment pursuant to this Section 8(a) on the Company Optional Prepayment Date. Upon receipt of a Company Optional Prepayment Notice, the Holder shall have the right, but not the obligation, to convert all or a portion of the Principal then remaining under this Note in accordance with Section 3 hereof prior to the Company Optional Prepayment Date. To the extent the amount converted by the Holder reduces the Company Optional Prepayment Amount required to be prepaid by the Company on the Company Optional Prepayment Date, the Company Optional Prepayment Amount shall be reduced accordingly. Prepayments made pursuant to this Section 8(a) shall be made in accordance with Section 11. In the event of the Company's prepayment of this Note under this Section 8(a), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any prepayment premium due under this Section 8(a) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Notwithstanding the foregoing, the Company shall have no right to effect a Company Optional Prepayment if any Event of Default has occurred and continuing, but any Event of Default shall have no effect upon the Holder's right to convert this Note in its discretion.

(b) Equal Treatment of the Notes. Any prepayment by the Company under Section 8(a) shall require the Company to treat all Holders of the Notes issues on the Issuance Date in a similar manner on a pro rata basis based on the Principal of all outstanding Notes.

9. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of the Company's Articles of Incorporation or other charter documents, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note. Without limiting the generality of the foregoing or any other provision of this Note or the other Transaction Documents, the Company (a) shall not increase the par value of any shares of Common Stock receivable upon conversion of this Note above the Conversion Price then in effect, and (b) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of this Note. Notwithstanding anything herein to the contrary, if after the 60 day anniversary of the Issuance Date, the Holder is not permitted to convert this Note in full for any reason, the Company shall use its best efforts to promptly remedy such failure, including, without limitation, obtaining such consents or approvals as necessary to permit such conversion into shares of Common Stock.

10. RESERVATION OF AUTHORIZED SHARES.

(a) Reservation. So long as the Note remains outstanding, the Company shall at all times reserve 500% of the maximum number of shares of Common Stock issued pursuant to the Transaction Documents issuable upon (1) conversion of the Note (assuming for purposes hereof that (x) the Note is convertible at the lower of: (A) the Alternate Conversion Price (assuming an Alternate Conversion Date as of such date of determination) or (B) 70% of the lowest daily VWAP after the Issuance Date, (y) Interest on the Note shall accrue through the 12 month anniversary of the Issuance Date and will be converted into shares of Common Stock at a conversion price equal to: the lower of: (A) the Alternate Conversion Price (assuming an Alternate Conversion Date as of such date of determination) or (B) 70% of the lowest daily VWAP after the Issuance Date and (z) any such conversion shall not take into account any limitations on the conversion of the Note set forth in the Note); and (2) exercise of the Warrants (the "**Required Reserve Amount**").

(b) Insufficient Authorized Shares. If, notwithstanding Section 10(a), and not in limitation thereof, at any time while any of the Note remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance as provided in Section 10(a) at least a number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than 60 days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders (or obtain approval by written consent) for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall comply with the 1934 Act and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. In the event that the Company is prohibited from issuing shares of Common Stock pursuant to the terms of this Note due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorized Failure Shares**"), in lieu of delivering such Authorized Failure Shares to the Holder, the Company shall pay cash in exchange for the prepayment of such portion of the Conversion Amount convertible into such Authorized Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorized Failure Shares and (y) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the earlier of the date the Conversion Trigger Event occurs and the date the Holder delivers the applicable notice with respect to such Authorized Failure Shares to the Company and ending on the date of such issuance and payment under this Section 10(b); and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Authorized Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

11. PREPAYMENTS MECHANICS.

(a) The Company shall deliver the applicable Event of Default Prepayment Price to the Holder in cash within five Trading Days after th Company's receipt of the Holder's Event of Default Prepayment Notice.

(b) If the Holder has submitted a Change of Control Prepayment Notice in accordance with Section 5(b), the Company shall deliver th applicable Change of Control Prepayment Price to the Holder in cash concurrently with the consummation of such Change of Control if such notice i received prior to the consummation of such Change of Control and within five Trading Days after the Company's receipt of such notice otherwise.

(c) The Company shall deliver the applicable Company Optional Prepayment Price to the Holder in cash on the applicable Company Option Prepayment Date.

(d) The Company shall deliver the applicable Prepayment Amount to the Holder in cash on the fifth Trading Day immediately following th day a Prepayment Notice is delivered.

12. RESERVED.

13. COVENANTS. Until all of the Note has been converted, prepaid or otherwise satisfied in accordance with their terms:

(a) Rank. All payments due under this Note shall rank senior to all other Indebtedness of the Company and its Subsidiaries.

(b) Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly incur or guarantee, assume or suffer to exist any Indebtedness (other than (i) the Indebtedness evidenced by this Note, (ii) the RedDiamond Note an (ii) other Permitted Indebtedness).

(c) Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow o suffer to exist any mortgage, lien, pledge, charge, security interest, deed of trust, or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

(d) Restricted Payments. Except for the RD Note, the Company shall not, and the Company shall cause each of its Subsidiaries to no directly or indirectly, prepay, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than the Note) whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, (i) an event constituting an Event of Default has occurred and is continuing or (ii) an event that with the passage of time and without being cured would constitute an Event of Default has occurred and is continuing.

(e) Restriction on Prepayment and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not directly or indirectly, prepay, repurchase or declare or pay any cash dividend or distribution on any of its capital stock.

(f) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, spin-off, split-off, close, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries in the ordinary course of business consistent with its past practice and (ii) sales of inventory and products in the ordinary course of business.

(g) Maturity of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly permit any Indebtedness of the Company or any of its Subsidiaries to mature or accelerate prior to the Maturity Date.

(h) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly engage in any material line of business substantially different from providing products and services to the legal cannabis industry. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(i) Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(j) Maintenance of Properties, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(k) Maintenance of Intellectual Property. The Company will, and will cause each of its Subsidiaries to, take all action necessary or advisable to maintain all of the rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, original works of authorship, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights and all applications and registrations therefor of the Company and/or any of its Subsidiaries that are necessary or material to the conduct of its business in full force and effect.

(l) Maintenance of Insurance. The Company shall maintain, and cause each of its Subsidiaries to maintain, insurance where available with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard, rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

(m) Transactions with Affiliates. The Company shall not, nor shall it permit any of its Subsidiaries to, enter into, renew, extend or be a party to, any transaction or series of related transactions (including, without limitation, the purchase, sale, lease, transfer or exchange of property or assets of any kind or the rendering of services of any kind) with any Affiliate, except in the ordinary course of business in a manner and to an extent consistent with past practice and necessary or desirable for the prudent operation of its business, for fair consideration and on terms no less favorable to it or its Subsidiaries than would be obtainable in a comparable arm's length transaction with a Person that is not an Affiliate thereof.

14. DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 7, if the Company shall declare or make any dividend or other distributions of its assets (or rights to acquire its assets) to any or all holders of shares of Common Stock, by way of return of capital or otherwise (including without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (the "**Distributions**"), then the Holder will be entitled to such Distributions as if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the lower of (a) the Alternate Conversion Price or (b) 70% of the lowest daily VWAP after the Issuance Date) on the date immediately prior to the date on which a record is taken for such Distribution or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for such Distributions (provided, however, that to the extent that the Holder's right to participate in any such Distribution would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Distribution (and beneficial ownership) to the extent of any such excess) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

15. AMENDING THE TERMS OF THIS NOTE. The prior written consent of the Holder shall be required for any change, waiver or amendment to this Note. Any change, waiver or amendment so approved shall be binding upon all existing and future holders of this Note; provided, however, that no such change, waiver or, as applied to the Note held by any particular holder of the Note, shall, without the written consent of that particular holder, (i) reduce the amount of Principal, reduce the amount of accrued and unpaid Interest, or extend the Maturity Date, of the Note, (ii) disproportionally and adversely affect any rights under the Note of any holder of any other portion of the Note; or (iii) modify any of the provisions of, or impair the right of any holder of the Note under this Section 15.

16. TRANSFER. This Note and any shares of Common Stock issued upon conversion of this Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company.

17. REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 17(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 17(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii) following conversion or prepayment of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 17(d)) representing the outstanding Principal. In no event shall a bond or other security be required to be delivered by the Holder.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principa office of the Company, for a new Note or Notes (in accordance with Section 17(d) and in principal amounts of at least $100,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 17(a) or Section 17(c), the Principal designated by the Holder which does not exceed the Principa remaining outstanding under this Note immediately prior to such issuance of a new Note), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest on the Principal and Interest of this Note, from the Issuance Date.

18. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 7).

19. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting the Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements. The Company expressly acknowledges and agrees that no amounts due under this Note shall be affected, or limited, by the fact that the purchase price paid for this Note was less than the original Principal amount hereof.

20. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the initial the Holder and shall not be construed against any such Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Note instead of just the provision in which they are found. Unless expressly indicated otherwise, all section references are to sections of this Note. Terms used in this Note and not otherwise defined herein, but defined in the other Transaction Documents, shall have the meanings ascribed to such terms on the Issuance Date in such other Transaction Documents unless otherwise consented to in writing by the Holder.

21. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

22. DISPUTE RESOLUTION.

(a) Submission to Dispute Resolution.

(i) In the case of a dispute relating to a Closing Sale Price, a Conversion Price, an Alternate Conversion Price, a Prepayment Conversion Price, an Equity Conditions Failure, a Black-Scholes Consideration Value, a VWAP or a fair market value or the arithmetic calculation of a Conversion Rate, or the applicable Prepayment Price (as the case may be) (including, without limitation, a dispute relating to the determination of any of the foregoing), the Company or the Holder (as the case may be) shall submit the dispute to the other party via facsimile or electronic mail (A) if by the Company, within two Trading Days after the occurrence of the circumstances giving rise to such dispute or (B) if by the Holder at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to promptly resolve such dispute relating to such Closing Sale Price, such Conversion Price, such Alternate Conversion Price, such Prepayment Conversion Price, such Black-Scholes Consideration Value, such VWAP or such fair market value, or the arithmetic calculation of such Conversion Rate or such applicable Prepayment Price (as the case may be), at any time after the second Trading Day following such initial notice by the Company or the Holder (as the case may be) of such dispute to the Company or the Holder (as the case may be), then the Holder may, at its sole option, select an independent, reputable investment bank to resolve such dispute.

(ii) The Holder and the Company shall each deliver to such investment bank (A) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 22 and (B) written documentation supporting its position with respect to such dispute, in each case, no later than 5:00 p.m. (New York time) by the fifth Trading Day immediately following the date on which the Holder selected such investment bank (the "**Dispute Submission Deadline**") (the documents referred to in the immediately preceding clauses (A) and (B) are collectively referred to herein as the "**Required Dispute Documentation**") (it being understood and agreed that if either the Holder or the Company fails to so deliver all of the Required Dispute Documentation by the Dispute Submission Deadline, then the party who fails to s submit all of the Required Dispute Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such investment bank with respect to such dispute and such investment bank shall resolve such dispute based solely on the Required Dispute Documentation that was delivered to such investment bank prior to the Dispute Submission Deadline) Unless otherwise agreed to in writing by both the Company and the Holder or otherwise requested by such investment bank, neither the Company nor the Holder shall be entitled to deliver or submit any written documentation or other support to such investment bank in connection with such dispute (other than the Required Dispute Documentation).

(iii) The Company and the Holder shall cause such investment bank to determine the resolution of such dispute and notify the Company and the Holder of such resolution no later than 10 Trading Days immediately following the Dispute Submission Deadline. The fee and expenses of such investment bank shall be borne solely by the Company, and such investment bank's resolution of such dispute shall be final and binding upon all parties absent manifest error.

(b) Miscellaneous. The Company expressly acknowledges and agrees that (i) this Section 22 constitutes an agreement to arbitrate between the Company and the Holder (and constitutes an arbitration agreement) under the New York Civil Practice Law and Rules, as amended, (ii) a dispute relating to a Conversion Price includes, without limitation, disputes as to (A) whether an issuance or sale or deemed issuance or sale of Common Stock occurred under Section 7, (B) the consideration per share at which an issuance or deemed issuance of Common Stock occurred, (C) whether any issuance or sale or deemed issuance or sale of Common Stock was an issuance or sale or deemed issuance or sale of Excluded Securities, (D whether an agreement, instrument, security or the like constitutes and Option or Convertible Security and (E) whether a Dilutive Issuance occurred (iii) the terms of this Note and each other applicable Transaction Document shall serve as the basis for the selected investment bank's resolution of the applicable dispute, such investment bank shall be entitled (and is hereby expressly authorized) to make all findings, determinations and the like that such investment bank determines are required to be made by such investment bank in connection with its resolution of such dispute and in resolving such dispute such investment bank shall apply such findings, determinations and the like to the terms of this Note and any other applicable Transaction Documents, (iv) the Holder (and only the Holder), in its sole discretion, shall have the right to submit any dispute described in this Section 22 to any state or federal court sitting in New York County, New York in lieu of utilizing the procedures set forth in this Section 22 and (v) nothing in this Section 22 shall limit the Holder from obtaining any injunctive relief or other equitable remedies (including, without limitation, with respect to any matters described in this Section 22).

23. NOTICES. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in writing with an e-mail copy to the last address provided by the Holder or its agents in writing to the Company. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least 15 days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

24. CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

25. WAIVER OF NOTICE. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

26. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Except as otherwise required by Section 22 above, the Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein (i) shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder or (ii) shall limit, or shall be deemed or construed to limit, any provision of Section 22. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

27. SEVERABILITY. If any provision of this Note is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Note so long as this Note as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

28. MAXIMUM PAYMENTS. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

29. PAYMENTS UNDER THE NOTES. Any payment to Holder under this Note for principal or interest shall not be subject to any deduction, withholding or offset for any reason whatsoever except to the extent required by law, and the Company represents that to its best knowledge no deduction, withholding or offset is so required for any tax or any other reason. Notwithstanding any term or provision of this Note, the Purchase Agreement, the Warrant or the Guaranty Agreement (each is a "Transaction Agreement"), to the contrary, if it shall be determined that any payment (other than a payment with respect to indemnification by the Company to or for the benefit of the Holder pursuant to the terms of any Transaction Agreement), whether for principal, interest or otherwise and whether paid or payable or distributed or distributable, actual or deemed (a "Payment") would be or is subject to any deduction, withholding or offset due to any duty or tax (such duty or tax, together with any interest and/or penalties related thereto, hereinafter collectively referred to as the "Payment Tax"), and the Holder has not changed its domicile for tax purposes to a non-U.S. jurisdiction, then the Company shall, in addition to all sums otherwise payable, pay to the Holder an additional payment in cash (a "Gross-Up Payment") in an amount such that after all such Payment Taxes (whether by deduction, withholding, offset or payment), including any interest or penalties with respect to such taxes or any Payment Taxes (and any interest and penalties imposed with respect thereto) imposed upon any Gross-Up Payment, Holder actually receives an amount of Gross-Up Payment equal to the Payment Tax imposed upon the Payment (i.e., the Holder receives a net amount equal to the Payment). The Company shall timely remit such Payment Tax to the applicable governmental authority and shall provide evidence of such payment to Holder within 30 days of making such payment. Notwithstanding anything herein to the contrary, Holder agrees to repay to the Company the full amount of the Gross-Up Payment within 45 days of filing its federal tax return covering the period where the Gross-Up Payment was made.

30. CERTAIN DEFINITIONS. For purposes of this Note, the following words and terms shall have the following meanings:

(a) "**1933 Act**" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

(b) "**1934 Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(c) "**Adjustment Right**" means any right granted with respect to any securities issued in connection with, or with respect to, any issuance or sale (or deemed issuance or sale in accordance with Section 7) of shares of Common Stock (other than rights of the type described in Section 6(a) hereof) that could result in a decrease in the net consideration received by the Company in connection with, or with respect to, such securities (including, without limitation, any cash settlement rights, cash adjustment or other similar rights).

(d) "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that "control" of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(e) "**Alternate Conversion Price**" means, with respect to any Alternate Conversion, that price which shall be the lowest of (i) the applicable Conversion Price as in effect on the applicable Conversion Date of the applicable Alternate Conversion, (ii) 70% of the lowest Closing Price of the Common Stock during the 20 consecutive Trading Day period ending and including the earlier of the date the Conversion Trigger Event occurs and date of delivery or deemed delivery of the applicable notice of conversion (such period, the "**Alternate Conversion Measuring Period**"). All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such Alternate Conversion Measuring Period.

(f) "**Approved Stock Plan**" means any employee benefit plan which has been approved by the board of directors of the Company prior to or subsequent to the Issuance Date pursuant to which shares of Common Stock and standard options to purchase Common Stock may be issued to any employee, officer or director for services provided to the Company in their capacity as such.

(g) "**Attribution Parties**" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Issuance Date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Common Stock would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the 1934 Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(h) "**Black Scholes Consideration Value**" means the value of the applicable Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (iii) a zero cost of borrow and (iv) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the "HVT" function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be).

(i) "**Bloomberg**" means Bloomberg, L.P., or any successor.

(j) "**Change of Control**" means any Fundamental Transaction other than (i) any merger of the Company or any of its, direct or indirect, wholly-owned Subsidiaries with or into any of the foregoing Persons, (ii) any reorganization, recapitalization or reclassification of the shares of Common Stock in which holders of the Company's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, are, in all material respects, the holders of the voting power of the surviving entity (or entities with the authority or voting power to elect the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities) after such reorganization, recapitalization or reclassification, or (iii) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company or any of its Subsidiaries.

(k) "**Closing Sale Price**" means, for any security as of any date, the last closing trade price, respectively, for such security on a Principal Market, as reported by Bloomberg, or, if the applicable Principal Market begins to operate on an extended hours basis and does not designate the closing trade price then the last trade price of such security prior to 4:00 p.m., New York time, as reported by Bloomberg, or, if a Principal Market is not the principal securities exchange or trading market for such security, the last trade price, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported by OTC Markets Group Inc. or any successor. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock splits, stock dividends, stock combinations, recapitalizations or other similar transactions during such period.

(l) "**Common Stock**" means (i) the Company's shares of common stock, $0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(m) "**Convertible Securities**" means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(n) "**Current Subsidiary**" means any Person in which the Company on the Issuance Date, directly or indirectly, (i) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**Current Subsidiaries**".

(o) "**Equity Conditions**" means with respect to the applicable date of determination, (a) reserved; (b) the Common Stock issuable upon conversion of the Note and exercise of the Warrants may be publicly sold pursuant to an effective registration statement, if filed, and in compliance with Section 5(b) of the 1933 Act; (c) on each day during the period beginning one month prior to the applicable date of determination and ending on such applicable date of determination (the "**Equity Conditions Measuring Period**"), the Common Stock is listed or designated for quotation (as applicable) on a Principal Market and shall not have been suspended from trading on any such Principal Market, nor shall delisting or suspension by a Principal Market have been threatened (with a reasonable prospect of delisting occurring after giving effect to all applicable notice, appeal, compliance and hearing periods) or reasonably likely to occur or pending as evidenced by (A) a writing by such Principal Market or (B) the Company falling below the minimum listing maintenance requirements of the Principal Market on which the Common Stock is then listed or designated for quotation (as applicable); (d) on each day during the Equity Conditions Measuring Period, the Company shall have delivered all shares of Common Stock issuable upon conversion of this Note and each other Transaction Document on a timely basis; (e) [reserved]; (f) any shares of Common Stock to be issued in connection with the provisions of any Transaction Document may be issued in full without violating the rules or regulations of the Principal Market on which the Common Stock is then listed or designated for quotation (as applicable); (g) reserved; (h) reserved; (i) on each day during the Equity Conditions Measuring Period, the Company otherwise shall have been in material compliance with each, and shall not have breached any, material term, provision, covenant, representation or warranty of any Transaction Document; (j) on each day during the Equity Conditions Measuring Period there shall not have occurred an Event of Default or an event that with the passage of time or giving of notice would constitute an Event of Default; (k) reserved; (l) the Common Stock shall be DWAC Eligible as of each day a Prepayment Notice is delivered to the Company or other date of determination; (m) reserved; (n) reserved; (o) the Company or the Transfer Agent, as applicable, does not deliver to the applicable Holder freely tradable shares within five days following the date such shares were required to be delivered to the applicable Holder as set forth herein; (p) reserved; (q) on the applicable date of determination (1) no Authorized Share Failure shall exist or be continuing, (2) the number of Common Stock available under the certificate of incorporation of the Company and reserved by the Company to be issued pursuant to the Notes shall be greater than the Required Reserve Amount, and (3) all shares of Common Stock to be issued in connection with the event requiring this determination may be issued in full without resulting in an Authorized Share Failure; (r) no bone fide dispute shall exist, by and between any of holder of Notes or Warrants, the Company, a Principal Market and/or the Financial Industry Regulatory Authority with respect to any term or provision of any Note or any other Transaction Document, and (s) the shares of Common Stock issuable pursuant the event requiring the satisfaction of the Equity Conditions (or issuable upon conversion of the Conversion Amount being redeemed in the event requiring this determination at the Conversion Price then in effect (without regard to any limitations on conversion set forth herein)) are duly authorized. The Holder agrees and acknowledges that this provision governing Equity Conditions shall not apply until the earlier to occur of: (i) the expiration of six months from the date of this Note, or (ii) the Common Stock issuable upon conversion of the Note may be publicly sold pursuant to an effective registration statement in compliance with Section 5(b) of the 1933 Act. Notwithstanding the foregoing or anything contained herein to the contrary, Equity Conditions (q) contained in this definition shall apply beginning on the Issuance Date and at all times thereafter.

(p) "**Equity Conditions Failure**" means that any of the Equity Conditions was not satisfied at all times during an applicable Equity Conditions Measuring Period or on the day a Prepayment Notice is delivered to the Company.

(q) "**Event Market Price**" means, with respect to any Stock Combination Event Date, the per share price of the Common Stock on the Trading Day of such Stock Combination Event Date, after giving effect to such Stock Combination Event.

(r) "**Excluded Securities**" means (i) shares of Common Stock or standard options to purchase Common Stock issued to directors, officers or employees of the Company for services rendered to the Company in their capacity as such pursuant to an Approved Stock Plan (as defined above) provided that (A) all such issuances (taking into account the shares of Common Stock issuable upon exercise of such options) after the Issuance Date pursuant to this clause (i) do not, in the aggregate, exceed more than 5% of the Common Stock issued and outstanding immediately prior to the Issuance Date and (B) the exercise price of any such options is not lowered, none of such options are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such options are otherwise materially changed in any manner that adversely affects the Holder.

(s) "**Fundamental Transaction**" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock not held by all such Subject Entities as of the date of this Note calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other shareholders of the Company to surrender their shares of Common Stock without approval of the shareholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(t) "**GAAP**" means United States generally accepted accounting principles, consistently applied.

(u) "**Group**" means a "group" as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(v) "**Indebtedness**" means (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, "capital leases" in accordance with GAAP) (other than trade payables entered into in the ordinary course of business consistent with past practice which have been past due less than 90 days), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person that owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(w) "**Material Adverse Effect**" means any material adverse effect on (i) the business, properties, assets, liabilities, operations (including results thereof), growth opportunities which are known, obtainable and material to the Company and not capable of being mitigated by other opportunities available to the Company, or condition (financial or otherwise) of the Company or any Subsidiary, individually or taken as a whole, (ii) the transactions contemplated hereby or in any of the other Transaction Documents or any other agreements or instruments to be entered into in connection herewith or therewith or (iii) the authority or ability of the Company or any of its Subsidiaries to perform any of their respective obligations under any of the Transaction Documents (as defined below).

(x) "**Maturity Date**" shall mean the date listed in the preamble hereto as the Maturity Date; provided, however, the Maturity Date may be extended at the option of the Holder (i) in the event that, and for so long as, an Event of Default shall have occurred and be continuing or any event shall have occurred and be continuing that with the passage of time and the failure to cure would result in an Event of Default or (ii) through the date that is 20 Trading Days after the consummation of a Fundamental Transaction in the event that a Fundamental Transaction is publicly announced or a Change of Control Notice is delivered prior to the Maturity Date.

(y) "**New Subsidiary**" means, as of any date of determination, any Person in which the Company after the Issuance Date, directly or indirectly, (i) owns or acquires any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**New Subsidiaries**".

(z) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(aa) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on a Principal Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(bb) "**Permitted Indebtedness**" means (i) Indebtedness evidenced by this Note and, (ii) Indebtedness set forth on Schedule 29(dd) hereto, as in effect as of the Issuance Date and (iii) Indebtedness secured by Permitted Liens.

(cc) "**Permitted Liens**" means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) purchase money equipment Liens in an aggregate amount not to exceed $50,000, (v) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clause (iv) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase, (vi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of custom duties in connection with the importation of goods, and (vii) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 4(a)(x).

(dd) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(ee) "**Principal Market**" means any of The New York Stock Exchange, the NYSE American, the Nasdaq Capital Market, the Nasda Global Select Market, the Nasdaq Global Market, the Canadian Securities Exchange, the OTCQB, the OTCQX, the OTC Pink or any other ma operated by the OTC Markets Group Inc. or any successors of any of these exchanges or markets.

(ff) "**Prepayment Notices**" means, collectively, the Event of Default Prepayment Notices, the Company Optional Prepayment Notices an the Change of Control Prepayment Notices, and each of the foregoing, individually, a "**Prepayment Notice**."

(gg) "**Prepayment Premium**" means 112.5%.

(hh) "**Prepayment Prices**" means, collectively, Event of Default Prepayment Prices, the Change of Control Prepayment Prices, th Prepayment Conversion Price and the Company Optional Prepayment Prices, and each of the foregoing, individually, a "**Prepayment Price**."

(ii) "**SEC**" means the United States Securities and Exchange Commission or the successor thereto.

(jj) "**SPA**" means that certain Securities Purchase Agreement (as amended, restated, modified and/or supplemented from time to time) by and between the Company and the Holder, dated March 1, 2019.

(kk) "**Subsidiaries**" means, as of any date of determination, collectively, all Current Subsidiaries and all New Subsidiaries, and each of the foregoing, individually, a "**Subsidiary**."

(ll) **"Subject Entity**" means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(mm) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(nn) "**Trading Day**" means, as applicable, (x) with respect to all price or trading volume determinations relating to the Common Stock, any day on which the Common Stock is traded on a Principal Market, or, if a Principal Market is not the principal trading market for the Common Stock then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(oo) "**Transaction Documents**" means this Note, the SPA, the Warrant, the Security Agreement, and any other documents relating to the issuance of the Note by the Company to the Holder.

(pp) "**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on a Principal Market (or, if a Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg through its "HP" function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported by OTC Markets Group Inc. If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period.

(qq) "**Warrant**" means that certain Common Stock Purchase Warrant dated as of the Issuance Date, substantially in the form attached hereto as Exhibit IV.

31. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Note, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall within one Trading Day after any such receipt or delivery publicly disclose such material, non-public information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries. If the Company or any of its Subsidiaries provides material non-public information to the Holder that is not simultaneously filed in a Current Report on Form 8-K and the Holder has not agreed to receive such material non-public information, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, Affiliates or agents with respect to, or a duty to any of the foregoing not to trade on the basis of, such material non-public information.

32. Senior Security Interest. Holder, as Collateral Agent (as defined in the SPA), for the ratable benefit of the Holder and its assigns, has been granted a senior security interest in certain assets of the Company and its Subsidiaries as more fully described in that certain Security Agreement by and among the Company, its Subsidiaries and the Holder, dated of even date herewith (the "**Security Agreement**"), and the other Transaction Documents.

[*signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

HELIX TCS, INC.

By: _____
Name:
Title:

EXHIBIT I

HELIX TCS, INC.

CONVERSION NOTICE

Reference is made to the Secured Convertible Promissory Note (the "**Note**") issued to the undersigned by Helix TCS, Inc., a Delaware corporation (the "**Company**"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, $0.001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below. Capitalized terms not defined herein shall have the meaning as set forth in the Note.

Date of Conversion: _____

Aggregate Principal to be converted: _____

Aggregate accrued and unpaid Interest and accrued with respect to such portion of the Aggregate Principal and such Aggregate Interest to be converted:

AGGREGATE CONVERSION AMOUNT TO BE CONVERTED: _____

Please confirm the following information:

Conversion Price: _____

Number of shares of Common Stock to be issued: _____

☐ If this Conversion Notice is being delivered with respect to an Alternate Conversion, check here if the Holder is electing to use the following Alternate Conversion Price:_____

Please issue the Common Stock into which the Note is being converted to the Holder, or for its benefit, as follows:

☐ Check here if requesting delivery as a certificate to the following name and to the following address:

Issue to: _____

_____

_____

☐ Check here if requesting delivery by Deposit/Withdrawal at Custodian as follows:

DTC Participant: _____

DTC Number: _____

Account Number: _____

Date: _____ __,

Name of Registered Holder

By: _____
Name:
Title:

Tax ID:_____

Facsimile:_____

E-mail Address:

EXHIBIT II
ACKNOWLEDGMENT

The Company hereby (a) acknowledges this Conversion Notice, (b) certifies that the above indicated number of shares of Common Stock [are][are not] eligible to be resold by the Holder either (i) pursuant to Rule 144 (subject to the Holder's execution and delivery to the Company of a customary 144 representation letter) or (ii) an effective and available registration statement and (c) hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____.

HELIX TCS, INC.

By: _____
Name:
Title:

EXHIBIT III

[Name and address] Date: _____

PREPAYMENT NOTICE

The above-captioned Company hereby gives notice to Helix TCS, Inc., a Delaware corporation (the "**Company**"), pursuant to that certain Secured Convertible Promissory Note made by Company in favor of the Holder on March 1, 2019 (the "**Note**"), that Company elects to prepay a portion of the Note in conversion shares or in cash as set forth below. In the event of a conflict between this Prepayment Notice and the Note, the Note shall govern, or, in the alternative, at the election of the Company in its sole discretion, the Company may provide a new form of Prepayment Notice to conform to the Note. Capitalized terms used in this notice without definition shall have the meanings given to them in the Note.

PREPAYMENT INFORMATION

A. Prepayment Date: _____, 201__
B. Prepayment Amount: _____
C. Portion of Prepayment Amount to be Paid in Cash: _____
D. Portion of Prepayment Amount to be Converted into Common Stock: _____ (B minus C)
E. Prepayment Conversion Price: _____
F. Prepayment Conversion Shares: _____ (D divided by E)
G. Remaining Outstanding Principal of Note: _____ *

* Subject to adjustments for corrections, defaults, interest and other adjustments permitted by the Transaction Documents, the terms of which shall control in the event of any dispute between the terms of this Prepayment Notice and such Transaction Documents.

2. EQUITY CONDITIONS CERTIFICATION (Section to be completed by the Company)

A. Market Capitalization:_____

(Check One)

B. _____ Company herby certifies that no Equity Conditions Failure exists as of the day the applicable Prepayment Notice was delivered to the Company.

C. _____ Company hereby gives notice that an Equity Conditions Failure has occurred and requests a waiver from Company with respect thereto. The Equity Conditions Failure is as follows:

_____
_____
_____
_____

Please transfer the Prepayment Conversion Shares, if applicable, electronically (via DWAC) to the following account:

Broker: _____
DTC#: _____
Account #: _____
Account Name: _____

Address: _____
_____
_____
_____
_____

To the extent the Prepayment Conversion Shares are not able to be delivered to the Company electronically via the DWAC system, deliver all such certificated shares to the Company via reputable overnight courier after receipt of this Prepayment Notice (by facsimile transmission or otherwise) to:

_____
_____
_____

Sincerely,

Company:

_____

EXHIBIT IV
FORM OF WARRANT

SCHEDULE 29(dd)
PERMITTED INDEBTEDNESS

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN RE(WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN R UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITI AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STAT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT S TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABL SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFE(SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SEC ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN A OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT
HELIX TCS, INC.

Warrant Shares: 160,715 Initial Issuance Date: March 1, 2019

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, Diamond Rock, LLC, or its assigns "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Termination Date") but no thereafter, to subscribe for and purchase from Helix TCS, Inc., a Delaware corporation (the "Company"), up to 160,715 shares of Common Stock (subject t adjustment hereunder, the "Warrant Shares"). The purchase price of one Warrant Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of the date hereof, among the Company and the Holder.

Section 2. Exercise.

(a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice o Exercise Form annexed hereto. Within two Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price fo the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. In the event that the Holder i required to make any payments to the Company's stock transfer agent in connection with its exercise of this Warrant resulting from any failure or alleged failure of the Company to pay the transfer agent, the Holder may deduct such sums it pays the transfer agent from the total Exercise Price due Notwithstanding anything herein to the contrary (although the Holder may surrender the Warrant to, and receive a replacement Warrant from, the Company), the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one Trading Day of deliver of such notice. The Holder by acceptance of this Warrant, acknowledges and agrees that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

(b) Exercise Price. The initial exercise price per share of the Common Stock under this Warrant shall be equal to $1.40 per share, subject to adjustment under Section 3 (the "Exercise Price").

(c) Mechanics of Exercise.

(i) Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and there is an effective registration statement covering the sale of the Warrant Shares by the Holder, or otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is two Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise and (B) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, having been paid. The Company understands that a delay in the delivery of the Warrant Shares after the Warrant Share Delivery Date could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder for late issuance of Warrant Shares upon exercise of this Warrant the proportionate amount of $10 per Trading Day after the Warrant Share Delivery Date for each $1,000 of the value of the Warrant Shares for which this Warrant is exercised (based on the Exercise Price) which are not timely delivered. The Company shall pay any payments incurred under this Section 2(c)(i) in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company or the date the Warrant Shares are delivered to the Holder, whichever date is earlier.

(ii) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.

(iii) Rescission Rights. If the Company fails to deliver the Warrant Shares or cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right, at any time prior to issuance of such Warrant Shares, to rescind such exercise.

(iv) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to deliver the Warrant Shares, or cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon written request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(v) No Fractional Shares or Scrip No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

(vi) Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate including any charges (limited to $100 per issuance) of any clearing firm, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise.

(vii) Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

(d) Holder's Exercise Limitations The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to this Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the SEC, as the case may be, (B) more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase the Beneficial Ownership Limitation provisions of this Section 2(e) solely with respect to the Holder's Warrant, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase will not be effective until the 61st day after such notice is delivered to the Company. The Holder may also decrease the Beneficial Ownership Limitation provisions of this Section 2(e) solely with respect to the Holder's Warrant at any time, which decrease shall be effectively immediately upon delivery of notice to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

(a) Stock Dividends and Splits If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Documents), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Adjustments for Issuance of Additional Securities. If the Company at any time while this Warrant or the Note is outstanding, issues or sells any additional shares of Common Stock or Common Stock Equivalents (hereafter defined) ("Additional Shares of Common Stock"), at a price per share less than the Exercise Price then in effect or without consideration (a "Dilutive Issuance" based on a "Dilutive Issuance Price"), then the Exercise Price upon each such issuance shall be adjusted in accordance with the following formula:

CP2 = CP1 * (A+B) / (A+C)

CP2 = Exercise Price in effect immediately after new issue

CP1 = Exercise Price in effect immediately prior to new issue

A = Number of shares of Common Stock deemed to be outstanding immediately prior to new issue (includes all shares of outstanding common stock, all shares of outstanding preferred stock on an as-converted basis, and all outstanding options on an as-exercised basis; and does not include any convertible securities converting into this round of financing)

B = Aggregate consideration received by the Company with respect to the new issue divided by CP1
C = Number of shares of stock issued in the subject transaction

In case any Common Stock Equivalent is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction, (x) the Common Stock Equivalents will be deemed to have been issued for the Option Value of such Common Stock Equivalents and (y) the other securities issued or sold in such integrated transaction shall be deemed to have been issued or sold for the difference of (I) the aggregate consideration received by the Company less any consideration paid or payable by the Company pursuant to the terms of such other securities of the Company less (II) the Option Value. If any shares of Common Stock or Common Stock Equivalents are issued or sold or deemed to have been issued or sold for cash the amount of such consideration received by the Company will be deemed to be the net amount received by the Company therefor. If any shares of Common Stock or Common Stock Equivalents are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company will be the VWAP of such public traded securities on the date of receipt. If any shares of Common Stock or Common Stock Equivalents are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such shares of Common Stock or Common Stock Equivalents, as the case may be.

"Common Stock Equivalents" means any securities of the Company or its Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any indebtedness, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Option Value" means the value of a Common Stock Equivalent based on the Black Scholes Option Pricing model obtained from the "OV" function on Bloomberg L.P. determined as of (A) the Trading Day prior to the public announcement of the issuance of the applicable Common Stock Equivalent, if the issuance of such Common Stock Equivalent is publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stock Equivalent if the issuance of such Common Stock Equivalent is not publicly announced, for pricing purposes and reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of the applicable Common Stock Equivalent as of the applicable date of determination, (ii) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg L.P. as of (A) the Trading Day immediately following the public announcement of the applicable Common Stock Equivalent if the issuance of such Common Stock Equivalent is publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stock Equivalent if the issuance of such Common Stock Equivalent is not publicly announced, (iii) the underlying price per share used in such calculation shall be the highest VWAP of the Common Stock during the period beginning on the Trading Day prior to the execution of definitive documentation relating to the issuance of the applicable Common Stock Equivalent and ending on (A) the Trading Day immediately following the public announcement of such issuance, if the issuance of such Common Stock Equivalent is publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stock Equivalent if the issuance of such Common Stock Equivalent is not publicly announced, (iv) a zero cost of borrow and (v) a 360 day annualization factor.

The provisions of this Section 3(b) shall apply each time the Company, at any time after the Initial Exercise Date and while this Warrant or the Note is outstanding, shall issue any securities with a Dilutive Issuance Price. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 3(b) with respect to an Exempt Issuance (as defined in the Purchase Agreement).

(c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights. Notwithstanding the foregoing, no Purchase Rights will be made under this Section 3(d) in respect of an Exempt Issuance.

(d) Pro Rata Distributions If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (which shall be subject to Section 3(d)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(e) Fundamental Transaction.

(i) If, at any time while this Warrant is outstanding the Company enters into a Fundamental Transaction (as defined in the Note), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant), at the option of the Holder the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall not effect a Fundamental Transaction unless it gives the Holder at least 10 Trading Days prior notice together with sufficient details so the Holder can make an informed decision as to whether it elects to accept the Alternative Consideration.

(iii) If Section 3(f)(i) is not applicable, the Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(f)(iii) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant prior to such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant), and with an exercise price which applies the then-current Exercise Price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 3(f) with respect to an Exempt Issuance (as defined in the Purchase Agreement)

(f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(g) Notice to Holder.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly email to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment. The Holder may supply an email address to the Company and change such address.

(ii) Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall deliver to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to email such notice or any defect therein or in the emailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries (as determined in good faith by the Company), the Company shall simultaneously file such notice with the SEC pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise the Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

(a) Transferability. Subject to compliance with any applicable securities laws and the provisions of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof other than as explicitly set forth in Section 3.

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then, such action may be taken or such right may be exercised on the next succeeding Trading Day.

(d) Authorized Shares.

The Company covenants that during the period this Warrant is outstanding, it will reserve from its authorized and unissued Common Stock, free of preemptive rights five times the number of shares of Common Stock issuable upon exercise of this Warrant, subject to adjustment for stock dividends, stock splits, combination and similar events. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

In addition to any other remedies provided by this Warrant or the Purchase Agreement, if the Company at any time fails to meet this reservation of Common Stock requirement within 45 days after written notice from the Holder, it shall pay the Holder as partial liquidated damages and not as a penalty a sum equal to $500 per day for each $100,000 of such Holder's Subscription Amount (or the Subscription Amount of the original Purchaser). The Company shall not enter into any agreement or file any amendment to its Articles of Incorporation (including the filing of a Certificate of Designation) which conflicts with this Section 5(d) while the Notes (as defined in the Purchase Agreement) and Warrants remain outstanding.

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its Certificate of Incorporation (or charter) or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.'

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered or if not exercised on a cashless basis when Rule 144 is available, will have restrictions upon resale imposed by state and federal securities laws.

(g) Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant, the Note, the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate or that there is no irreparable harm and not to require the posting of a bond or other security.

(k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by any Holder from time to time of this Warrant or any Warrant Shares.

(l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

(m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

HELIX TCS, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: HELIX TCS, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall be in lawful money of the United States

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

(4) After giving effect to this Notice of Exercise, the undersigned will not have exceeded the Beneficial Ownership Limitation.

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

SIGNATURE OF HOLDER

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

HELIX TCS, INC.

FOR VALUE RECEIVED, ____ all of or _____ shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is
_____

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed:

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement o any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN RE WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN R UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITI AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STAT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT S TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABL SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SEC ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN A OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT
HELIX TCS, INC.

Warrant Shares: 535,715 Initial Issuance Date: March 1, 2019

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, Rose Capital Fund I, LP, or its assigns "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Termination Date") but no thereafter, to subscribe for and purchase from Helix TCS, Inc., a Delaware corporation (the "Company"), up to 535,715 shares of Common Stock (subject t adjustment hereunder, the "Warrant Shares"). The purchase price of one Warrant Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of the date hereof, among the Company and the Holder.

Section 2. Exercise.

(a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice o Exercise Form annexed hereto. Within two Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price fo the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. In the event that the Holder i required to make any payments to the Company's stock transfer agent in connection with its exercise of this Warrant resulting from any failure or alleged failure of the Company to pay the transfer agent, the Holder may deduct such sums it pays the transfer agent from the total Exercise Price due Notwithstanding anything herein to the contrary (although the Holder may surrender the Warrant to, and receive a replacement Warrant from, the Company), the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within five Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one Trading Day of deliver of such notice. The Holder by acceptance of this Warrant, acknowledges and agrees that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

(b) Exercise Price. The initial exercise price per share of the Common Stock under this Warrant shall be equal to $1.40 per share, subject to adjustment under Section 3 (the "Exercise Price").

(c) Mechanics of Exercise.

(i) Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and there is an effective registration statement covering the sale of the Warrant Shares by the Holder, or otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is two Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise and (B) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, having been paid. The Company understands that a delay in the delivery of the Warrant Shares after the Warrant Share Delivery Date could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder for late issuance of Warrant Shares upon exercise of this Warrant the proportionate amount of $10 per Trading Day after the Warrant Share Delivery Date for each $1,000 of the value of the Warrant Shares for which this Warrant is exercised (based on the Exercise Price) which are not timely delivered. The Company shall pay any payments incurred under this Section 2(c)(i) in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company or the date the Warrant Shares are delivered to the Holder, whichever date is earlier.

(ii) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.

(iii) Rescission Rights. If the Company fails to deliver the Warrant Shares or cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right, at any time prior to issuance of such Warrant Shares, to rescind such exercise.

(iv) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to deliver the Warrant Shares, or cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon written request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(v) No Fractional Shares or Scrip No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

(vi) Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate including any charges (limited to $100 per issuance) of any clearing firm, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise.

(vii) Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Documents), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Adjustments for Issuance of Additional Securities. If the Company at any time while this Warrant or the Note is outstanding, issues or sells any additional shares of Common Stock or Common Stock Equivalents (hereafter defined) ("Additional Shares of Common Stock"), at a price per share less tha the Exercise Price then in effect or without consideration (a "Dilutive Issuance" based on a "Dilutive Issuance Price"), then the Exercise Price upon each suc issuance shall be adjusted in accordance with the following formula:

CP2 = CP1 * (A+B) / (A+C)

CP2 = Exercise Price in effect immediately after new issue

CP1 = Exercise Price in effect immediately prior to new issue

A = Number of shares of Common Stock deemed to be outstanding immediately prior to new issue (includes all shares of outstanding common stock, all shares of outstanding preferred stock on an as-converted basis, and all outstanding options on an as-exercised basis; and does not include any convertible securities converting into this round of financing)

B = Aggregate consideration received by the Company with respect to the new issue divided by CP1

C = Number of shares of stock issued in the subject transaction

In case any Common Stock Equivalent is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction, (x) the Common Stock Equivalents will be deemed to have been issued for the Option Value of such Common Stock Equivalents and (y the other securities issued or sold in such integrated transaction shall be deemed to have been issued or sold for the difference of (I) the aggregate consideration received by the Company less any consideration paid or payable by the Company pursuant to the terms of such other securities of the Company less (II) the Option Value. If any shares of Common Stock or Common Stock Equivalents are issued or sold or deemed to have been issued or sold for cash the amount of such consideration received by the Company will be deemed to be the net amount received by the Company therefor. If any shares of Common Stock or Common Stock Equivalents are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company will be the VWAP of such public traded securities on the date of receipt. If any shares of Common Stock or Common Stock Equivalents are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such shares of Common Stock or Common Stock Equivalents, as the case may be.

"Common Stock Equivalents" means any securities of the Company or its Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any indebtedness, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Option Value" means the value of a Common Stock Equivalent based on the Black Scholes Option Pricing model obtained from the "OV" functio on Bloomberg L.P. determined as of (A) the Trading Day prior to the public announcement of the issuance of the applicable Common Stock Equivalent, if th issuance of such Common Stock Equivalent is publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stoc Equivalent if the issuance of such Common Stock Equivalent is not publicly announced, for pricing purposes and reflecting (i) a risk-free interest rat corresponding to the U.S. Treasury rate for a period equal to the remaining term of the applicable Common Stock Equivalent as of the applicable date o determination, (ii) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg L.P. as of (A the Trading Day immediately following the public announcement of the applicable Common Stock Equivalent if the issuance of such Common Stock Equivalen is publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stock Equivalent if the issuance of such Commo Stock Equivalent is not publicly announced, (iii) the underlying price per share used in such calculation shall be the highest VWAP of the Common Stock durin the period beginning on the Trading Day prior to the execution of definitive documentation relating to the issuance of the applicable Common Stock Equivalen and ending on (A) the Trading Day immediately following the public announcement of such issuance, if the issuance of such Common Stock Equivalent i publicly announced or (B) the Trading Day immediately following the issuance of the applicable Common Stock Equivalent if the issuance of such Commo Stock Equivalent is not publicly announced, (iv) a zero cost of borrow and (v) a 360 day annualization factor.

The provisions of this Section 3(b) shall apply each time the Company, at any time after the Initial Exercise Date and while this Warrant or the Note i outstanding, shall issue any securities with a Dilutive Issuance Price. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 3(b with respect to an Exempt Issuance (as defined in the Purchase Agreement).

(c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Commo Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Right which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warran (without regard to any limitations on exercise hereof) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights. Notwithstanding the foregoing, no Purchase Rights will be made under this Section 3(d) in respect of an Exempt Issuance.

(d) Pro Rata Distributions If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (which shall be subject to Section 3(d)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Pric in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holde of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shal be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(e) Fundamental Transaction.

(i) If, at any time while this Warrant is outstanding the Company enters into a Fundamental Transaction (as defined in the Note), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant), at the option of the Holder the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall not effect a Fundamental Transaction unless it gives the Holder at least 10 Trading Days prior notice together with sufficient details so the Holder can make an informed decision as to whether it elects to accept the Alternative Consideration.

(iii) If Section 3(f)(i) is not applicable, the Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(f)(iii) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant prior to such Fundamental Transaction (without regard to any limitation on the exercise of this Warrant), and with an exercise price which applies the then-current Exercise Price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 3(f) with respect to an Exempt Issuance (as defined in the Purchase Agreement)

(f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(g) Notice to Holder.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly email to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment. The Holder may supply an email address to the Company and change such address.

(ii) Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall deliver to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to email such notice or any defect therein or in the emailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries (as determined in good faith by the Company), the Company shall simultaneously file such notice with the SEC pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise the Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

(a) Transferability. Subject to compliance with any applicable securities laws and the provisions of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof other than as explicitly set forth in Section 3.

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then, such action may be taken or such right may be exercised on the next succeeding Trading Day.

(d) Authorized Shares.

The Company covenants that during the period this Warrant is outstanding, it will reserve from its authorized and unissued Common Stock, free of preemptive rights five times the number of shares of Common Stock issuable upon exercise of this Warrant, subject to adjustment for stock dividends, stock splits, combination and similar events. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

In addition to any other remedies provided by this Warrant or the Purchase Agreement, if the Company at any time fails to meet this reservation of Common Stock requirement within 45 days after written notice from the Holder, it shall pay the Holder as partial liquidated damages and not as a penalty a sum equal to $500 per day for each $100,000 of such Holder's Subscription Amount (or the Subscription Amount of the original Purchaser). The Company shall not enter into any agreement or file any amendment to its Articles of Incorporation (including the filing of a Certificate of Designation) which conflicts with this Section 5(d) while the Notes (as defined in the Purchase Agreement) and Warrants remain outstanding.

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its Certificate of Incorporation (or charter) or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered or if not exercised on a cashless basis when Rule 144 is available, will have restrictions upon resale imposed by state and federal securities laws.

(g) Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant, the Note, the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate or that there is no irreparable harm and not to require the posting of a bond or other security.

(k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by any Holder from time to time of this Warrant or any Warrant Shares.

(l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

(m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first abo indicated.

HELIX TCS, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: HELIX TCS, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall be in lawful money of the United States

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

(4) After giving effect to this Notice of Exercise, the undersigned will not have exceeded the Beneficial Ownership Limitation.

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

SIGNATURE OF HOLDER

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

HELIX TCS, INC.

FOR VALUE RECEIVED, ____ all of or _____ shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement o any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.39

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") dated as March 1, 2019, between Helix TCS, Inc., a Delaware corporation ("Company"), Helix TCS, LLC, ("LLC"), Security Consultants Group, LLC ("SCG"), I Security Solutions, Inc. ("Boss"), Security Grade Protective Services, Ltd. ("SG"), Bio-Tech Medical Software, Inc. ("THC"), and Engeni LLC ("Engeni", together with LLC, SCG, Boss, SG and THC, each a "Subsidiary" and collectively the "Subsidiaries") (the Company, the Subsidiaries, and each other Pers who becomes a party to this Agreement by execution of a joinder in the form of Exhibit A attached hereto, which shall include all wholly-owned or majority-owned subsidiaries of the Company acquired after the date hereof for so long as this Agreement remains in effect, are hereinafter sometimes referred to individually as a "Debtor" and, collectively, as the "Debtors"), Rose Capital Fund I, LP, a Delaware limited partnership, in its capacity as Collateral Agent fo the benefit of itself and each of the Rose Purchasers (as hereinafter defined) and DiamondRock LLC ("Rock", and together with the Collateral Agent, eac Rose Purchaser and the respective successors and assigns of Rock, the Collateral Agent and each Rose Purchaser, each a "Secured Party" and collectively the "Secured Parties").

W I T N E S S E T H:

WHEREAS, the purchasers as from time to time parties to the Rose Purchase Agreement (as hereafter defined), together with their successors an assigns, and each other purchaser of a Note (as defined) together with their respective successors and assigns, (the "Rose Purchasers"), will purchase from the Company certain senior secured notes each made by the Company and dated as of the date hereof in an initial aggregate principal amount of $1,500,000 (all such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Notes"), and receive certain Common Stock Purchase Warrants (all such Warrants, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Warrants");

WHEREAS, the Company delivered a convertible promissory note (the "Existing RedDiamond Note") in the aggregate principal amount $208,333.33 to RedDiamond Partners, LLC ("RD") and Common Stock Purchase Warrants (the "Existing RedDiamond Warrants"), in each case pursuant that certain Securities Purchase Agreement by and between the Company and RD, dated as of February 13, 2017 (the "Existing RedDiamond Purchas Agreement");

WHEREAS, as of the date hereof the principal amount outstanding on the Existing RedDiamond Note is $116,780;

WHEREAS, RD transferred the Existing RedDiamond Note to Rock;

WHEREAS, the Existing RedDiamond Note is secured pursuant to that certain security agreement by and among the Company, all the subsidiaries o the Company and RD, dated as of February 14, 2017 (the "RedDiamond Security Agreement");

WHEREAS, Rock desires to terminate the RedDiamond Security Agreement and to become a party to this Agreement, and the Company desires permit Rock to terminate the RedDiamond Security Agreement and become a party to this Agreement;

WHEREAS, Rock will purchase a secured convertible promissory note (the "New Rock Note" and, with the Existing RedDiamond Note and t Rose Notes, collectively, the "Notes") in the aggregate principal amount of $450,000.00, and Common Stock Purchase Warrants (the "New Rock Warrants" and, with the Existing RedDiamond Warrants and the Rose Warrants, collectively, the "Warrants"), in each case pursuant to that certain Securities Purchase Agreement by and between the Company and Rock, dated as of the date hereof (the "New Rock Purchase Agreement");

WHEREAS, the Rose Notes are being acquired by the Secured Parties other than Rock, and the Secured Parties other than Rock have made certa financial accommodations to the Company pursuant to a Securities Purchase Agreement, dated as of the date hereof, by and among the Company and the Secured Parties other than Rock (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Rose Purchase Agreement", and together with the Existing RedDiamond Purchase Agreement and the New Rock Purchase Agreement, the "Purchase Agreements" Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Rose Purchase Agreement;

WHEREAS, each Debtor will derive substantial benefit and advantage from the financial accommodations to the Company set forth in the Purchas Agreements and the Notes, and it will be to each such Debtor's direct interest and economic benefit to assist the Company in procuring said financia accommodations from the Secured Parties;

WHEREAS, to induce the Secured Parties to enter into the Rose Purchase Agreement and New Rock Purchase Agreement, and to purchase t Rose Notes and the New Rock Note, and in order to obtain additional investment in the Company in the form of the Rose Notes and the New Rock Note ar thereby make the investment in the Company made by Rock pursuant to the RedDiamond Note more secure, (i) each Debtor (other than the Company) wi guaranty the Obligations (as hereinafter defined) of the Company pursuant to the terms of one or more guaranties by each such Debtor in favor of the Secured Parties (such guaranties, as amended, restated, modified or supplemented and in effect from time to time, individually, a "Subsidiary Guaranty", and collectively, the "Subsidiary Guaranties") and (ii) each Debtor will pledge and grant a security interest in all of its right, title and interest in and to the Collateral (as hereinafter defined) as security for its Obligations for the benefit of the Secured Parties.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereb acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used herein without definition and defined in the Purchase Agreement are used herein as defined therein. In addition, as used herein:

"Accounts" means any "account," as such term is defined in the UCC, and, in any event, shall include, without limitation, "supporting obligations" as defined in the UCC.

"Chattel Paper" means any "chattel paper," as such term is defined in the UCC.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Collateral Agent" shall mean Rose Capital Fund I, LP.

"Commercial Tort Claims" means "commercial tort claims", as such term is defined in the UCC.

"Contracts" means all contracts, undertakings, or other agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which a Debtor may now or hereafter have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"Copyrights" means any copyrights, rights and interests in copyrights, works protectable by copyrights, copyright registrations and copyright applications, including, without limitation, the copyright registrations and applications listed on Schedule III attached hereto (if any), and all renewals of any of the foregoing, all income, royalties, damages and payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Deposit Accounts" means all "deposit accounts" as such term is defined in the UCC, now or hereafter held in the name of a Debtor.

"Documents" means any "documents," as such term is defined in the UCC, and shall include, without limitation, all documents of title (as defined in the UCC), bills of lading or other receipts evidencing or representing Inventory or Equipment.

"Equipment" means any "equipment," as such term is defined in the UCC and, in any event, shall include, Motor Vehicles.

"Event of Default" shall have the meaning set forth in the Rose Notes.

"Excluded Assets" means any lease, license or other agreement or any property subject to a capital lease, purchase money security interest or similar arrangement, to the extent that a grant of a Lien thereon in favor of an applicable Secured Party would violate or invalidate such lease, license agreement or capital lease, purchase money security interest or similar arrangement, violate applicable law or create a right of termination in favor of any other party thereto (other than the Debtors), so long as such provision exists and so long as such lease, license or agreement was not entered into in contemplation of circumventing the obligation to provide Collateral hereunder or in violation of the Purchase Agreement or applicable law, other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law including the bankruptcy code, or principles of equity.

"General Intangibles" means any "general intangibles," as such term is defined in the UCC, and, in any event, shall include, without limitation all right, title and interest in or under any Contract, models, drawings, materials and records, claims, literary rights, goodwill, rights of performance, Copyrights, Trademarks, Patents, warranties, rights under insurance policies and rights of indemnification.

"Goods" means any "goods", as such term is defined in the UCC, including, without limitation, fixtures and embedded Software to the extent included in "goods" as defined in the UCC.

"Governmental Authority" means the government of the United States of America or any other nation, or any political subdivision thereof whether state or local, or any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administration powers or functions of or pertaining to government over any Debtor or any of its subsidiaries, or any of their respective properties, assets or undertakings.

"Instruments" means any "instrument," as such term is defined in the UCC, and shall include, without limitation, promissory notes, drafts, bills of exchange, trade acceptances, letters of credit, letter of credit rights (as defined in the UCC), and Chattel Paper.

"Inventory" means any "inventory," as such term is defined in the UCC.

"Investment Property" means any "investment property", as such term is defined in the UCC.

"Obligations" means all obligations, liabilities and indebtedness of every nature of Debtors from time to time owed or owing under or in respect of the Transaction Documents, including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable whether before or after the filing of a bankruptcy, insolvency or similar proceeding under applicable federal, state, foreign or other law and whether or not an allowed claim in any such proceeding.

"Lien" has the meaning set forth in the Rose Purchase Agreement.

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"Patents" means any patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, all patentable inventions and those patents and patent applications listed on Schedule IV attached hereto (if any), and the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Permitted Indebtedness" has the meaning set forth in the Rose Notes.

"Permitted Lien" has the meaning set forth in the Rose Notes.

"Proceeds" means "proceeds," as such term is defined in the UCC and, in any event, includes, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any person acting under color of Governmental Authority), and (c) any and all other amounts from time to time paid or payable under, in respect of or in connection with any of the Collateral.

"Representative" means any Person acting as agent, representative or trustee on behalf of the Collateral Agent from time to time.

"Security Documents" means this Agreement, the Subsidiary Guaranty, the Pledge Agreement, and any other documents securing the Lien of the Collateral Agent hereunder.

"Software" means all "software" as such term is defined in the UCC, now owned or hereafter acquired by a Debtor, other than software embedded in any category of Goods, including, without limitation, all computer programs and all supporting information provided in connection with a transaction related to any program.

"Trademarks" means any trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, the trademarks and applications listed in Schedule V attached hereto (if any) and renewals thereof, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Transaction Documents" means the Purchase Agreements, the Notes, the Security Documents, the Warrants, and any other related agreements.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, that to the extent that the Uniform Commercial Code is used to define any term herein and such term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition of such term contained in Article or Division 9 shall govern.

Section 2. Representations, Warranties and Covenants of Debtors. Each Debtor represents and warrants to, and covenants with, the Collateral Agent and each Secured Party as follows:

(a) Subject to the Permitted Liens, such Debtor has or will have rights in and the power to transfer the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof (subject, with respect to after acquired Collateral, to such Debtor acquiring the same) and no Lien other than a Permitted Lien exists or will exist upon such Collateral at any time.

(b) Subject to the Permitted Liens, this Agreement is effective to create in favor of the Collateral Agent a valid security interest in and Lien upon all of such Debtor's right, title and interest in and to the Collateral, and upon (i) the filing of appropriate UCC financing statements in the jurisdictions of formation listed on Schedule I attached hereto, (ii) creation of each Deposit Account, (iii) filings in the United States Patent and Trademark Office, or United States Copyright Office with respect to Collateral that constitutes Patents and Trademarks, or Copyrights, as the case may be, (iv) the filing of the Mortgage in the jurisdictions listed on Schedule I hereto, (v) the delivery to the Collateral Agent of the Pledged Collateral together with assignments in blank, (vi) the security interest created hereby being noted on each certificate of title evidencing the ownership of any Motor Vehicle in accordance with Section 4.1(d) hereof and (v) delivery to the Collateral Agent or its Representative of Instruments duly endorsed by such Debtor or accompanied by appropriate instruments of transfer duly executed by such Debtor with respect to Instruments not constituting Chattel Paper, such security interest will be a duly perfected first priority perfected security interest (subject to Permitted Indebtedness) in all of the Collateral.

(c) All of the Equipment, Inventory and Goods owned by such Debtor is located at the places as specified on Schedule I attached hereto. Except as disclosed on Schedule I, none of the Collateral is in the possession of any bailee, warehousemen, processor or consignee. Schedule I discloses such Debtor's name as of the date hereof as it appears in official filings in the state or province, as applicable, of its incorporation, formation or organization, the type of entity of such Debtor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by such Debtor's state of incorporation, formation or organization (or a statement that no such number has been issued), such Debtor's state or province, as applicable, of incorporation, formation or organization and the chief place of business, chief executive office and the office where such Debtor keeps its books and records and the states in which such Debtor conducts its business. Such Debtor has only one state or province, as applicable, of incorporation, formation or organization. Such Debtor does not do business and has not done business during the past five (5) years under any trade name or fictitious business name except as disclosed on Schedule II attached hereto.

(d) No Copyrights, Patents or Trademarks listed on Schedules III, IV and V, respectively, if any, have been adjudged invalid or unenforceable or have been canceled, in whole or in part, or are not presently subsisting. Each of such Copyrights, Patents and Trademarks (if any) is valid and enforceable. Subject to the Permitted Lien, such Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of such Copyrights, Patents and Trademarks, identified on Schedules III, IV and V, as applicable, as being owned by such Debtor, free and clear of any liens (subject to the Permitted Lien), charges and encumbrances, including without limitation licenses, shop rights and covenants by such Debtor not to sue third persons. Such Debtor has adopted, used and is currently using, or has a current bona fide intention to use, all of such Trademarks and Copyrights. Such Debtor has no notice of any suits or actions commenced or threatened with reference to the Copyrights, Patents or Trademarks owned by it.

(e) Each Debtor agrees to deliver to the Collateral Agent an updated Schedule I, II, III, IV and/or V within five Business Days after any change thereto.

(f) All depositary and other accounts including, without limitation, Deposit Accounts, securities accounts, brokerage accounts and other similar accounts, maintained by each Debtor are described on Schedule VI hereto, which description includes for each such account the name of the Debtor maintaining such account, the name, address and telephone and telecopy numbers of the financial institution at which such account is maintained, the account number and the account officer, if any, of such account. No Debtor shall open any new Deposit Accounts, securities accounts, brokerage accounts or other accounts unless such Debtor shall have given the Collateral Agent 10 Business Days' prior written notice of its intention to open any such new accounts. Each Debtor shall deliver to the Collateral Agent a revised version of Schedule VI showing any changes thereto within five Business Days of any such change. Each Debtor hereby authorizes the financial institutions at which such Debtor maintains an account to provide the Collateral Agent with such information with respect to such account as the Collateral Agent from time to time reasonably may request, and each Debtor hereby consents to such information being provided to the Collateral Agent. In addition, all of such Debtor's depositary, security, brokerage and other accounts including, without limitation, Deposit Accounts shall be subject to the provisions of Section 2 hereof.

(g) Such Debtor does not own any Commercial Tort Claim except for those disclosed on Schedule VII hereto (if any).

(h) Such Debtor does not have any interest in real property with respect to real property except as disclosed on Schedule VIII (if any). Each Debtor shall deliver to the Collateral Agent a revised version of Schedule VIII showing any changes thereto within 10 Business Days of any such change. Except as otherwise agreed to by the Collateral Agent, all such interests in real property with respect to such real property are subject to a mortgage and deed of trust (in form and substance satisfactory to the Collateral Agent) in favor of the Collateral Agent (hereinafter, a "Mortgage").

(i) Each Debtor shall duly and properly record each interest in real property held by such Debtor, except with respect to easements, rights of way, access agreements, surface damage agreements, surface use agreements or similar agreements that such Debtor, using prudent customs and practices in the industry in which it operates, does not believe are of material value or material to the operation of such Debtor's business or, with respect to state and federal rights of way, are not capable of being recorded as a matter of state and federal law.

(j) All Equipment (including, without limitation, Motor Vehicles) owned by a Debtor and subject to a certificate of title or ownership statute is described on Schedule IX hereto.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Obligations, each Debtor hereby pledges and grants to the Collateral Agent, for the benefit of itself and each Secured Party, a Lien on and security interest in and to all of such Debtor's right, title and interest in the following properties and assets of such Debtor, whether now owned by such Debtor or hereafter acquired and whether now existing or hereafter coming into existence and wherever located (all being collectively referred to herein as "Collateral"):

(a) all Instruments, together with all payments thereon or thereunder:

(b) all Accounts;

(c) all Inventory;

(d) all General Intangibles (including payment intangibles (as defined in the UCC) and Software);

(e) all Equipment;

(f) all Documents;

(g) all Contracts;

(h) all Goods;

(i) all Investment Property, including without limitation all equity interests now owned or hereafter acquired by such Debtor;

(j) all Deposit Accounts, including, without limitation, the balance from time to time in all bank accounts maintained by such Debtor;

(k) all Commercial Tort Claims specified on Schedule VII;

(l) all Trademarks, Patents and Copyrights; and

(m) all other tangible and intangible property of such Debtor, including, without limitation, all interests in real property, Proceeds, tort claims, products, accessions, rents, profits, income, benefits, substitutions, additions and replacements of and to any of the property of such Debtor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon, insurance claims and all rights, claims and benefits against any Person relating thereto), other rights to payments not otherwise included in the foregoing, and all books, correspondence, files, records, invoices and other papers, including without limitation all tapes, cards, computer runs, computer programs, computer files and other papers, documents and records in the possession or under the control of such Debtor, or any computer bureau or service company from time to time acting for such Debtor.

Notwithstanding anything to the contrary contained herein or in any Transaction Document, the Excluded Assets are expressly excluded from the Collateral and in no event shall either the security interest granted herein or therein attach to any Excluded Assets.

Section 4. Covenants; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, each Debtor hereby agrees as follows:

4.1 Delivery and Other Perfection; Maintenance, etc.

(a) Delivery of Instruments, Documents, Etc. Each Debtor shall deliver and pledge to the Collateral Agent or its Representative any and all Instruments, negotiable Documents, Chattel Paper and certificated securities (accompanied by stock powers executed in blank, which stock powers may be filled in and completed at any time upon the occurrence of any Event of Default) duly endorsed and/or accompanied by such instruments of assignment and transfer executed by such Debtor in such form and substance as the Collateral Agent or its Representative may request; provided, that so long as no Event of Default shall have occurred and be continuing, each Debtor may retain for collection in the ordinary course of business any Instruments, negotiable Documents and Chattel Paper received by such Debtor in the ordinary course of business, and the Collateral Agent or its Representative shall, promptly upon request of a Debtor, make appropriate arrangements for making any other Instruments, negotiable Documents and Chattel Paper pledged by such Debtor available to such Debtor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Collateral Agent or its Representative, against a trust receipt or like document). If a Debtor retains possession of any Chattel Paper, negotiable Documents or Instruments pursuant to the terms hereof, such Chattel Paper, negotiable Documents and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Rose Capital Fund I, LP, in its capacity as Collateral Agent for the benefit of the Purchasers, as Secured Parties."

(b) Other Documents and Actions. Each Debtor shall give, execute, deliver, file and/or record any financing statement, registration, notice, instrument, document, agreement, Mortgage or other papers that may be necessary or desirable (in the reasonable judgment of the Collateral Agent or its Representative) to create, preserve, perfect or validate the security interest granted pursuant hereto (or any security interest or mortgage contemplated or required hereunder, including with respect to Section 2(h) of this Agreement) or to enable the Collateral Agent or its Representative to exercise and enforce the rights of the Secured Parties hereunder with respect to such pledge and security interest, provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (e) below. Notwithstanding the foregoing each Debtor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any filing office in any jurisdiction any initial financing statements (and other similar filings or registrations under other applicable laws and regulations pertaining to the creation, attachment, or perfection of security interests) and amendments thereto that (a) indicate the Collateral (i) as all assets of such Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Debtor is an organization, the type of organization and any organization identification number issued to such Debtor, and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Collateral relates. Each Debtor agrees to furnish any such information to the Collateral Agent promptly upon request. Each Debtor also ratifies its authorization for the Collateral Agent to have filed in any jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Books and Records. Each Debtor shall maintain at its own cost and expense complete and accurate books and records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Upon the occurrence and during the continuation of any Event of Default, each Debtor shall deliver and turn over any such books and records (o true and correct copies thereof) to the Collateral Agent or its Representative at any time on demand. Each Debtor shall permit the Collateral Agent or any Representative of the Collateral Agent to inspect such books and records at any time during reasonable business hours and will provide photocopies thereof at such Debtor's expense to the Collateral Agent or its Representative upon request of the Collateral Agent or its Representative.

(d) Motor Vehicles. Each Debtor shall, promptly upon acquiring same, cause the Collateral Agent to be listed as the lienholder or each certificate of title or ownership covering any items of Equipment, including Motor Vehicles, having a value in excess of $50,000 individually or in the aggregate for all such items of Equipment of the Debtor, or otherwise comply with the certificate of title or ownership laws of the relevant jurisdiction issuing such certificate of title or ownership in order to properly evidence and perfect the Collateral Agent's security interest in the assets represented by such certificate of title or ownership.

(e) Notice to Account Debtors; Verification. (i) Upon the occurrence and during the continuance of any Event of Default (or if any rights of set-off (other than set-offs against an Account arising under the Contract giving rise to the same Account) or contra-accounts may be asserted, upon request of the Collateral Agent or its Representative, each Debtor shall promptly notify (and each Debtor hereby authorizes the Collateral Agent and its Representative so to notify) each account debtor in respect of any Accounts or Instruments or other Persons obligated on the Collateral that such Collatera has been assigned to the Collateral Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Collateral Agent, and (ii) the Collateral Agent and its Representative shall have the right at any time or times to make direct verification with the account debtors or other Persons obligated on the Collateral of any and all of the Accounts or other such Collateral.

(f) Intellectual Property. Each Debtor represents and warrants that the Copyrights, Patents and Trademarks listed onSchedules III IV and V, respectively (if any), constitute all of the registered Copyrights and all of the Patents and Trademarks now owned by such Debtor. If such Debtor shall (i) obtain rights to any new patentable inventions, any registered Copyrights or any Patents or Trademarks, or (ii) become entitled to the benefit of any registered Copyrights or any Patents or Trademarks or any improvement on any Patent, the provisions of this Agreement above shall automatically apply thereto and such Debtor shall give to the Collateral Agent prompt written notice thereof. Each Debtor hereby authorizes the Collateral Agent to modify this Agreement by amending Schedules III, IV and V as applicable, to include any such registered Copyrights or any such Patents and Trademarks. Each Debtor shall have the duty (i) to prosecute diligently any patent, trademark, or service mark applications pending as of the date hereof or hereafter, (ii) to preserve and maintain all rights in the Copyrights, Patents and Trademarks, to the extent material to the operations of the business of such Debtor and (iii) to ensure that the Copyrights, Patents and Trademarks are and remain enforceable, to the extent material to the operations of the business of such Debtor. Any expenses incurred in connection with such Debtor's obligations under this Section 4.1(f) shall be borne by such Debtor. Except for any such items that a Debtor reasonably believes (using prudent industry customs and practices) are no longer necessary for the on-going operations of its business, no Debtor shall abandon any material right to file a patent, trademark or service mark application, or abandon any pending patent, trademark or service mark application or any other Copyright, Patent or Trademark without the prior written consent of the Collateral Agent.

(g) Further Identification of Collateral. Each Debtor will, when and as often as requested by the Collateral Agent or its Representative, furnish to the Collateral Agent or such Representative, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent or its Representative may reasonably request, all in reasonable detail.

(h) Investment Property. Each Debtor will take any and all actions required or requested by the Collateral Agent or its Representative, from time to time, to (i) cause the Collateral Agent to obtain exclusive control of any Investment Property owned by such Debtor in a manner acceptable to the Collateral Agent and (ii) obtain from any issuers of Investment Property and such other Persons written confirmation of the Collateral Agent's control over such Investment Property. For purposes of this Section 4.1(h), the Collateral Agent shall have exclusive control of Investment Property if (i) such Investment Property consists of certificated securities and a Debtor delivers such certificated securities to the Collateral Agent (with appropriate endorsements if such certificated securities are in registered form); (ii) such Investment Property consists of uncertificated securities and either (x) a Debtor delivers such uncertificated securities to the Collateral Agent or (y) the issuer thereof agrees, pursuant to documentation in form and substance satisfactory to the Collateral Agent, that it will comply with instructions originated by the Collateral Agent without further consent by such Debtor, and (iii) such Investment Property consists of security entitlements and either (x) the Collateral Agent becomes the entitlement holder thereof or (y) the appropriate securities intermediary agrees, pursuant to the documentation in form and substance satisfactory to the Collateral Agent, that it will comply with entitlement orders originated by the Collateral Agent without further consent by any Debtor.

(i) Commercial Tort Claims. Each Debtor shall promptly notify the Collateral Agent of any Commercial Tort Claim acquired by it that concerns a claim in excess of $50,000 and unless otherwise consented to by the Collateral Agent, such Debtor shall enter into a supplement to this Agreement granting to the Secured Parties a Lien on and security interest in such Commercial Tort Claim.

4.2 Other Liens. Other than Permitted Liens as defined in the Notes, Debtors will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Indebtedness, and will defend the right, title and interest of the Secured Parties in and to the Collateral and in and to all Proceeds thereof against the claims and demands of all Persons whatsoever.

4.3 Preservation of Rights. Whether or not any Event of Default has occurred or is continuing, the Collateral Agent and its Representative may, but shall not be required to, take any steps the Collateral Agent or its Representative deems necessary or appropriate to preserve any Collateral or any rights against third parties to any of the Collateral, including obtaining insurance for the Collateral at any time when such Debtor has failed to do so, and Debtors shall promptly pay, or reimburse the Collateral Agent for, all expenses incurred in connection therewith.

4.4 Formation of Subsidiaries; Name Change; Location; Bailees.

(a) No Debtor shall form or acquire any subsidiary unless (i) such Debtor pledges all of the stock or equity interests of such subsidiary to the Secured Parties pursuant to an agreement in a form agreed to by the Collateral Agent, (ii) such subsidiary becomes a party to this Agreement and all other applicable Transaction Documents and (iii) the formation or acquisition of such subsidiary is not prohibited by the terms of the Transaction Documents.

(b) No Debtor shall (i) reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof, or (ii) otherwise change its name, identity or corporate structure, in each case, without the prior written consent of the Collateral Agent, which consent shall not be unreasonably withheld. Each Debtor will notify the Collateral Agent promptly in writing prior to any such change in the proposed use by such Debtor of any tradename or fictitious business name other than any such name set forth on Schedule II attached hereto.

(c) Except for the sale of Inventory in the ordinary course of business and other sales of assets expressly permitted by the terms of the Purchase Agreement, each Debtor will keep the Collateral at the locations specified inSchedule I. Each Debtor will give the Collateral Agent thirty (30) day's prior written notice of any change in such Debtor's chief place of business or of any new location for any of the Collateral.

(d) If any Collateral is at any time in the possession or control of any warehousemen, bailee, consignee or processor, such Debtor shall, upon the request of the Collateral Agent or its Representative, notify such warehousemen, bailee, consignee or processor of the Lien and security interest created hereby and shall instruct such Person to hold all such Collateral for Secured Parties account(s) subject to the Collateral Agent's instructions.

(e) Each Debtor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Collateral Agent and agrees that it will not do so without the prior written consent of the Collateral Agent, subject to such Debtor's rights under Section 9-509(d)(2) to the UCC.

(f) No Debtor shall enter into any Contract that restricts or prohibits the grant to any Secured Party of a security interest in Accounts, Chattel Paper, Instruments or payment intangibles or the proceeds of the foregoing.

4.5 Reserved.

4.6 Events of Default, Etc. During the period during which an Event of Default shall have occurred and be continuing subject to the Permitted Lien:

(a) each Debtor shall, at the request of the Collateral Agent or its Representative, assemble the Collateral and make it available to the Collateral Agent or its Representative at a place or places designated by the Collateral Agent or its Representative which are reasonably convenient to the Collateral Agent or its Representative, as applicable, and such Debtor;

(b) the Collateral Agent or its Representative may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Collateral Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the UCC (whether or not said UCC is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to: (i) exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Collateral Agent were the sole and absolute owner thereof (and each Debtor agrees to take all such action as may be appropriate to give effect to such right) and (ii) the appointment of a receiver or receivers for all or any part of the Collateral or business of a Debtor, whether such receivership be incident to a proposed sale or sales of such Collateral or otherwise and without regard to the value of the Collateral or the solvency of any person or persons liable for the payment of the Obligations secured by such Collateral. Each Debtor hereby consents to the appointment of such receiver or receivers, waives any and all defenses to such appointment and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of the Collateral Agent or any Secured Party under this Agreement. Each Debtor hereby expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver;

(d) the Collateral Agent or its Representative in its discretion may, in the name of the Collateral Agent or in the name of a Debtor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(e) the Collateral Agent or its Representative may take immediate possession and occupancy of any premises owned, used or leased by a Debtor and exercise all other rights and remedies which may be available to the Collateral Agent or a Secured Party;

(f) the Collateral Agent may, upon reasonable notice (such reasonable notice to be determined by the Collateral Agent in its sole and absolute discretion, which shall not be less than 10 days), with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Collateral Agent or its Representative, sell, lease, license, assign or otherwise dispose of all or any part of such Collateral at such place or places as the Collateral Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Collateral Agent or anyone else may be the purchaser, lessee, licensee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of Debtors, any such demand, notice and right or equity being hereby expressly waived and released. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(g) the rights, remedies and powers conferred by this Section 4.6 are in addition to, and not in substitution for, any other rights, remedies or powers that the Collateral Agent or any Secured Party may have under any Transaction Document, at law, in equity or by or under the UCC o any other statute or agreement. The Collateral Agent may proceed by way of any action, suit or other proceeding at law or in equity and no right, remedy or power of the Collateral Agent will be exclusive of or dependent on any other. The Collateral Agent may exercise any of its rights, remedies or powers separately or in combination and at any time.

The proceeds of each collection, sale or other disposition under this Section 4.6 shall be applied in accordance with Section 4.9 hereof.

4.7 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Debtors shall remain jointly and severally liable for any deficiency.

4.8 Private Sale. Each Debtor recognizes that the Collateral Agent may be unable to effect a public sale of any or all of the Collatera consisting of securities by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "**Act**"), and applicable state securities laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Collateral for their own account for investment and not with a view to the distribution or resale thereof. Each Debtor acknowledges and agrees that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and each Debtor agrees that it is not commercially unreasonable for the Collateral Agent to engage in any such private sales or dispositions under such circumstances. The Collateral Agent shall be under no obligation to delay a sale of any of the Collateral to permit a Debtor to register such Collateral for public sale under the Act, or under applicable state securities laws, even if Debtors would agree to do so. The Collateral Agent shall not incur any liability as a result of the sale of any such Collateral, or any part thereof, at any private sale provided for in this Agreement conducted in a commercially reasonable manner, and so long as the Collateral Agent conducts such sale in a commercially reasonable manner each Debtor hereby waives any claims against the Collateral Agent or any Secured Party arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

Each Debtor further agrees to do or cause to be done all such other acts and things as may be necessary to make such sale or sales of any portion or all of any such Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Debtor's expense. Each Debtor further agrees that a breach of any of the covenants contained in this Section 4.8 will cause irreparable injury to the Secured Parties, that the Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 4.8 shall be specifically enforceable against Debtors by Collateral Agent of behalf of each Secured Party, and each Debtor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

4.9 Application of Proceeds. The proceeds of any collection, sale or other realization of all or any part of the Collateral, and any other cash at the time held by the Collateral Agent under this Agreement, shall be applied to the Obligations in accordance with the Pro Rata Portion of each Purchaser "Pro Rata Portion" shall mean the ratio of (x) the subscription amount of the Notes purchased by a Purchaser participating under this Section 4.9 and (y) the sum of the aggregate subscription amounts of the Notes purchased by all Purchasers participating under this Section 4.9.

4.10 Attorney-in-Fact. Each Debtor hereby irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Debtor and in the name of such Debtor or in its own name, from time to time in the discretion of the Collateral Agent, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to perfect or protect any security interest granted hereunder, to maintain the perfection or priority of any security interest granted hereunder, or to otherwise accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, hereby gives the Collateral Agent the power and right, on behalf of such Debtor, without notice to or assent by such Debtor (to the extent permitted by applicable law), to do the following:

(a) to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement;

(b) upon the occurrence and during the continuation of an Event of Default, to ask, demand, collect, receive and give acquittance and receipts for any and all moneys due and to become due under any Collateral and, in the name of such Debtor or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other Instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

(c) to pay or discharge charges or liens levied or placed on or threatened against the Collateral, to effect any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor;

(d) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due, and to become due thereunder, directly to the Collateral Agent or as the Collateral Agent shall direct, and to receive payment of and receipt for any and all moneys, claims and other amounts due, and to become due at any time, in respect of or arising out of any Collateral;

(e) upon the occurrence and during the continuation of an Event of Default, to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other Documents constituting or relating to the Collateral;

(f) upon the occurrence and during the continuation of an Event of Default, to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral;

(g) upon the occurrence and during the continuation of an Event of Default, to defend any suit, action or proceeding brought against a Debtor with respect to any Collateral;

(h) upon the occurrence and during the continuation of an Event of Default, to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Collateral Agent may deem appropriate;

(i) to the extent that a Debtor's authorization given in Section 4.1(b) of this Agreement is not sufficient to file such financing statements with respect to this Agreement, with or without such Debtor's signature, or to file a photocopy of this Agreement in substitution for a financing statement, as the Collateral Agent may deem appropriate and to execute in such Debtor's name such financing statements and amendments thereto and continuation statements which may require such Debtor's signature;

(j) upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owners thereof for all purposes; and

(k) to do, at the Collateral Agent's option and at such Debtor's expense, at any time, or from time to time, all acts and things which the Collateral Agent reasonably deems necessary to protect or preserve or, upon the occurrence and during the continuation of an Event of Default, realize upon the Collateral and the Secured Parties' Liens therein, in order to effect the intent of this Agreement, all as fully and effectively as such Debtor might do.

Each Debtor hereby ratifies, to the extent permitted by law, all that such attorneys lawfully do or cause to be done by virtue hereof provided the same is performed in a commercially reasonable manner. The power of attorney granted hereunder is a power coupled with an interest and shall be irrevocable until the Obligations are indefeasibly paid in full in cash and this Agreement is terminated in accordance with Section 4.12 hereof.

Each Debtor also authorizes the Collateral Agent, at any time from and after the occurrence and during the continuation of any Event of Default, (x) to communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of such Debtor in and under the Contracts hereunder and other matters relating thereto and (y) to execute, in connection with any sale of Collateral provided for in Section 4.6 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

4.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, each Debtor shall:

(a) file such financing statements, assignments for security and other documents in such offices as may be necessary or as the Collateral Agent or the Representative may request to perfect the security interests granted by Section 3 of this Agreement;

(b) at the Collateral Agent's request, deliver to the Collateral Agent or its Representative the originals of all Instruments together with, in the case of Instruments constituting promissory notes, allonges attached thereto showing such promissory notes to be payable to the order of a blank payee;

(c) deliver to the Collateral Agent or its Representative the originals of all Motor Vehicle titles, duly endorsed indicating the Secured Parties' interests therein as lienholders, together with such other documents as may be required consistent with Section 4.1(d) hereof to perfect the security interest granted by Section 3 in all such Motor Vehicles (if any).

(d) If the Debtor has not done so, the Collateral Agent may do so at any later time at the sole cost of the Debtors.

4.12 Termination; Partial Release of Collateral. This Agreement and the Liens and security interests granted hereunder shall not terminate until the full and complete performance and indefeasible satisfaction of all of the Obligations (including, without limitation, the indefeasible payment in full in cash of all such Obligations) (i) in respect of the Transaction Documents, and (ii) with respect to which claims have been asserted by Collateral Agent and/or a Secured Party, whereupon the Collateral Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral to or on the order of Debtors. The Collateral Agent shall also execute and deliver to Debtors upon such termination and at Debtors' expense such UCC termination statements, certificates for terminating the liens on the Motor Vehicles (if any) and such other documentation as shall be reasonably requested by Debtors to effect the termination and release of the Liens and security interests in favor of the Collateral Agent affecting the Collateral. Notwithstanding anything to the contrary in this Agreement, upon full and complete satisfaction of the Notes Debtors' obligations under this Agreement shall terminate and any Liens shall thereupon be void.

4.13 Further Assurances. At any time and from time to time, upon the written request of the Collateral Agent or its Representative, and at the sole expense of Debtors, Debtors will promptly and duly execute and deliver any and all such further instruments, documents and agreements and take such further actions as the Collateral Agent or its Representative may reasonably require in order for the Collateral Agent to obtain the full benefits of this Agreement and of the rights and powers herein granted in favor of the Collateral Agent, including, without limitation, using Debtors' best efforts to secure all consents and approvals necessary or appropriate for the assignment to the Collateral Agent of any Collateral held by Debtors or in which a Debtor has any rights not heretofore assigned, the filing of any financing or continuation statements under the UCC with respect to the liens and security interests granted hereby, transferring Collateral to the Collateral Agent's possession (if a security interest in such Collateral can be perfected by possession), placing the interest of the Collateral Agent as lienholder on the certificate of title of any Motor Vehicle, and obtaining waivers of liens from landlords and mortgagees. Each Debtor also hereby authorizes the Collateral Agent and its Representative to file any such financing or continuation statement without the signature of such Debtor to the extent permitted by applicable law.

4.14 Limitation on Duty of Secured Party The powers conferred on the Collateral Agent under this Agreement are solely to protect the Collateral Agent's interest on behalf of itself and the other Secured Parties in the Collateral and shall not impose any duty upon it to exercise any such powers. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither the Collateral Agent nor its Representative nor any of their respective officers, directors, employees or agents shall be responsible to Debtors for any act or failure to act, except for gross negligence or willful misconduct. Without limiting the foregoing, the Collateral Agent and any Representative shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession if such Collateral is accorded treatment substantially equivalent to that which the Collateral Agent or any Representative, in its individual capacity, accords its own property consisting of the type of Collateral involved, it being understood and agreed that neither the Collateral Agent nor any Representative shall have any responsibility for taking any necessary steps (other than steps taken in accordance with the standard of care set forth above) to preserve rights against any Person with respect to any Collateral.

Also without limiting the generality of the foregoing, neither the Collateral Agent nor any Representative shall have any obligation or liability under any Contract or license by reason of or arising out of this Agreement or the granting to the Collateral Agent of a security interest therein or assignment thereof or the receipt by the Collateral Agent or any Representative of any payment relating to any Contract or license pursuant hereto, nor shall the Collateral Agent or any Representative be required or obligated in any manner to perform or fulfill any of the obligations of Debtors under or pursuant to any Contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or license, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 5. Miscellaneous.

5.1 No Waiver. No failure on the part of the Collateral Agent or any of its Representatives to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Collateral Agent or any of its Representatives of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

5.2 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

5.3 Notices. All notices, approvals, requests, demands and other communications hereunder shall be delivered or made in the manner set forth in, and shall be effective in accordance with the terms of, the Purchase Agreement. Debtors and Collateral Agent may change their respective notice addresses by written notice given to each other party five days prior to the effectiveness of such change.

5.4 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Debtor sought to be charged or benefited thereby and the Secured Parties holding a majority of the outstanding principal of the Notes. Any such amendment or waiver shall be binding upon all the Secured Parties (including the Collateral Agent in its capacity as a Secured Party) and the Debtor(s) sought to be charged or benefited thereby and their respective successors and assigns.

5.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each of the parties hereto, provided, that no Debtor shall assign or transfer its rights hereunder without the prior written consent of each Secured Party. Any Secured Party, including the Collateral Agent in its capacity as a
Secured Party, may assign its rights hereunder without the consent of Debtors, in which event such assignee shall be deemed to be a Secured Party and/or Collateral Agent, as applicable, hereunder with respect to such assigned rights.

5.6 Counterparts; Headings. This Agreement may be authenticated in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may authenticate this Agreement by signing any such counterpart. This Agreement may be authenticated by manual signature or facsimile, .pdf or similar electronic signature, all of which shall be equally valid. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

5.7 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent, its Representative and each other Secured Party (and all of their respective successors and assigns) in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

5.8 **SUBMISSION TO JURISDICTION; WAIVER OF VENUE; SERVICE OF PROCESS.** EACH DEBTOR HEREB
IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK
COURT SITTING IN NEW YORK COUNTY, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELAT
THIS AGREEMENT AND EACH DEBTOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH
OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJEC
MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN
COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF A SE
PARTY TO BRING PROCEEDINGS AGAINST ANY DEBTOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JU
PROCEEDING BY A DEBTOR AGAINST A SECURED PARTY ANY AFFILIATE THEREOF INVOLVING, DIRECTL
INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTION WITH THIS AGREEMENT
BE BROUGHT ONLY IN A COURT IN NEW YORK COUNTY, NEW YORK (AND EACH SECURED PARTY HEREBY SUBM
THE JURISDICTION OF SUCH COURT). EACH DEBTOR HERETO HEREBY IRREVOCABLY WAIVES PERSONAL SER
PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH ACTION OR PROCEEDING BY MAIL
REGISTERED OR CERTIFIED MAIL A COPY THEREOF TO SUCH DEBTOR AT THE ADDRESS FOR NOTICES TO
ACCORDANCE WITH SECTION 5.3 OF THIS AGREEMENT AND AGREES THAT SUCH NOTICE SHALL CONSTITUTE GO
SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO
ANY WAY ANY RIGHT OF A SECURED PARTY TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

5.9 **WAIVER OF RIGHT TO TRIAL BY JURY.** EACH DEBTOR AND EACH SECURED PARTY WAIVE TH
RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT
RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEED
OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PA
WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH DEBTOR AND EACH S
PARTY AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A
WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A T
JURY IS WAIVED BY OPERATION OF THIS SECTION 5.9 AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROC
WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT
PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEME
MODIFICATIONS TO THIS AGREEMENT.

5.10 Joint and Several The obligations, covenants and agreements of Debtors hereunder shall be the joint and several obligations, covenants and agreements of each Debtor, whether or not specifically stated herein without preferences or distinction among them.

5.11 Collateral Agent and Secured Parties Indemnification.

(a) Each Rose Purchaser has, pursuant to the Securities Purchase Agreement, designated and appointed the Collateral Agent as the administrative agent of such Secured Party under this Agreement and the related agreements. Rock hereby appoints the Collateral Agent as collateral agent hereunder and under the Pledge Agreement and Subsidiary Guaranty.

(b) Nothing in this Section 5.11 shall be deemed to limit or otherwise affect the rights of the Collateral Agent to exercise any remedy provided in this Agreement or any other Transaction Document.

(c) If pursuant to any Transaction Document a Secured Party (including the Collateral Agent) is given the discretion to allocate proceeds received by such Secured Party (including the Collateral Agent) pursuant to the exercise of remedies under the Transaction Documents or at law or in equity (including without limitation with respect to any secured creditor remedies exercised against the Collateral and any other collateral security provided for under any Transaction Document), the Collateral Agent shall apply such proceeds to the then outstanding Obligations in the following order of priority (with amounts received being applied in the numerical order set forth below until exhausted prior to the application to the next succeeding category and each Secured Party entitled to payment shall receive an amount equal to its Pro Rata Portion of amounts available to be applied pursuant to clauses second, third and fourth below):

first, to payment of fees, costs and expenses (including reasonable attorney's fees) owing to the Collateral Agent;

second, to payment of all accrued unpaid interest and fees (other than fees owing to Collateral Agent) on the Obligations;

third, to payment of principal of the Obligations;

fourth, to payment of any other amounts owing constituting Obligations; and

fifth, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

(d) Each Debtor agrees, jointly and severally, to indemnify, defend and hold harmless the Collateral Agent (both in its capacity as collateral agent hereunder and as a Secured Party), every other Secured Party, their respective successors and assigns and all of their respective officers directors, shareholders, members, managers, partners, employees, attorneys and agents, and any Person in control of any thereof, from and against any claims, debts, liabilities, losses, demands, obligations, actions, causes of action, fines, penalties, costs and expenses (including attorneys' fees and consultants' fees), of every nature, character and description (each, an "Indemnified Liability" and collectively the "Indemnified Liabilities"), under federal and state securities laws or otherwise insofar as such Indemnified Liability arises out of or is based upon any of the transactions contemplated by this Agreement, any other Transaction Document, any of the Obligations, or any other cause or thing whatsoever occurred, done, omitted or suffered to be done by a Debtor relating to any Secured Party or the Obligations (except any such amounts sustained or incurred solely as the result of the gross negligence or willful misconduct of such Secured Party(ies), as finally determined by a court of competent jurisdiction). If and to the extent that the foregoing undertakings in this paragraph may be unenforceable for any reason, each Debtor agrees to jointly and severally make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of each Debtor under this Section 5.11(d) shall survive any termination of this Agreement or any other Transaction Document.

5.12 No Strict Construction The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

5.13 **ENTIRE AGREEMENT; AMENDMENT. THIS AGREEMENT, TOGETHER WITH THE OTHER TRANSACT DOCUMENTS, SUPERSEDES ALL OTHER PRIOR ORAL OR WRITTEN AGREEMENTS BETWEEN THE SECURED PART COLLATERAL AGENT, THE DEBTORS, THEIR AFFILIATES AND PERSONS ACTING ON THEIR BEHALF WITH RESPECT TO THE MATTERS DISCUSSED HEREIN, AND THIS AGREEMENT, TOGETHER WITH THE OTHER TRANSACTION DOCUME THE OTHER INSTRUMENTS REFERENCED HEREIN AND THEREIN, CONTAIN THE ENTIRE UNDERSTANDING PARTIES WITH RESPECT TO THE MATTERS COVERED HEREIN AND THEREIN AND, EXCEPT AS SPECIFICALLY SET HEREIN OR THEREIN, NEITHER THE SECURED PARTY NOR ANY DEBTOR MAKES ANY REPRESENTATION, WAR COVENANT OR UNDERTAKING WITH RESPECT TO SUCH MATTERS. AS OF THE DATE OF THIS AGREEMENT, THERE UNWRITTEN AGREEMENTS BETWEEN THE PARTIES WITH RESPECT TO THE MATTERS DISCUSSED HEREIN. NO PR OF THIS AGREEMENT MAY BE AMENDED, MODIFIED OR SUPPLEMENTED OTHER THAN BY AN INSTRUMENT IN W SIGNED BY THE DEBTORS AND THE SECURED PARTY.**

5.14 Termination of RedDiamond Security Agreement. The Company and Rock hereby agree to terminate the RedDiamond Security Agreement, effective as of the date hereof. Notwithstanding the foregoing, the termination of the RedDiamond Security Agreement shall not terminate, amend or have any effect upon the RedDiamond Purchase Agreement, the RedDiamond Note, the RedDiamond Warrant or any other agreement, documents or understandings between the parties arising out of or related thereto, and the defined term "Security Agreement" as set forth in the RedDiamond Purchase Agreement and all other agreements and documents related thereto shall hereinafter mean this Agreement.

- Remainder of Page Intentionally Left Blank; Signature Page Follows -

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year fi above written.

DEBTORS:

Helix TCS, Inc.

By: _____
Name:
Title:

Helix TCS, LLC

By: _____
Name:
Title:

Security Consultants Group, LLC

By _____
Name:
Title:

Boss Security Solutions, Inc.

By: _____
Name:
Title:

Security Grade Protective Services, Ltd.

By: _____
Name:
Title:

Bio-Tech Medical Software, Inc.

By: _____
Name:
Title:

Engeni LLC

By: _____
Name:
Title:

COLLATERAL AGENT:

ROSE CAPITAL FUND I, LP

By: Rose Capital Fund I GP, LLC

Its: General Partner

By: Rose Management Group LLC

Its: Manager

By: _____
Name: Jonathan Rosenthal
Title: Member

By: _____
Name: Andrew Schweibold
Title: Member

ROSE PURCHASER:

ROSE CAPITAL FUND I, LP

By: Rose Capital Fund I GP, LLC

Its: General Partner

By: Rose Management Group LLC

Its: Manager

By: _____
Name: Jonathan Rosenthal
Title: Member

By: _____
Name: Andrew Schweibold
Title: Member

DIAMONDROCK LLC

By: _____
Name:
Title:

EXHIBIT A

Form of Joinder

Joinder to Security Agreement

The undersigned, _____, hereby joins in the execution of that certain Security Agreement dated as of March 1 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement") by Helix TCS, Inc., a Delaware corporation the Debtors (as defined therein), the Secured Parties (as defined therein), and each other Person that becomes a Debtor or a Secured Party thereunder afte the date thereof and hereof and pursuant to the terms thereof, to and in favor Rose Capital Fund I, LP, a Delaware limited partnership, in its capacity a Collateral Agent for the Secured Parties. By executing this Joinder, the undersigned hereby agrees that it is a Debtor thereunder and agrees to be bound by a of the terms and provisions of the Security Agreement. The undersigned represents and warrants that the representations and warranties set forth in the Security Agreement are, with respect to the undersigned, true and correct as of the date hereof.

The undersigned represents and warrants to Secured Party that:

(a) all of the Equipment, Inventory and Goods owned by such Debtor is located at the places as specified onSchedule I and such Debtor conducts business in the jurisdiction set forth on Schedule I;

(b) except as disclosed on Schedule I, none of such Collateral is in the possession of any bailee, warehousemen, processor or consignee;

(c) the chief place of business, chief executive office and the office where such Debtor keeps its books and records are located at the place specified on Schedule I;

(d) such Debtor (including any Person acquired by such Debtor) does not do business or has not done business during the past five years under any tradename or fictitious business name, except as disclosed on Schedule II;

(e) all Copyrights, Patents and Trademarks owned or licensed by the undersigned are listed in Schedules III, IV and V, respectively;

(f) all Deposit Accounts, securities accounts, brokerage accounts and other similar accounts maintained by such Debtor, and the financial institutions at which such accounts are maintained, are listed on Schedule VI;

(g) all Commercial Tort Claims of such Debtor are listed on Schedule VII;

(h) all interests in real property and mining rights held by such Debtor are listed on Schedule VIII;

(i) all Equipment (including Motor Vehicles) owned by such debtor are listed on Schedule IX.

_____, a _____

By:
Title:
FEIN: _____

SCHEDULE I

Jurisdictions and Debtor's Information

Corporate Information:

Debtor's Legal Name	Jurisdiction of Formation	Other Jurisdictions	FEIN	State Org. ID
Helix TCS, Inc.	Delaware	Colorado	81-4046024	5498129
Helix TCS, LLC	Delaware	Pennsylvania	47-3748821	5718659
Security Consultants Group, LLC	Colorado	Colorado	38-3972837	20151383420
Security Grade Protective Services, Ltd.	Colorado	Colorado	46-1899749	20131068349
Boss Security Solutions, Inc.	Colorado	Colorado	46-3610250	
BioTech Medical Software Inc.	Florida	Colorado	20-8551162	
Engeni LLC	Delaware	Colorado	81-0687467	
Engeni S.A.	Republic of Argentina	N/A	N/A	N/A

Locations:

Debtor	Locations of Equipment, Inventory and Goods	Owned, Leased, or Bailment?	Lessor/Bailee Name	Mortgaged (Y/N)
Helix TCS Inc.	None	N/A	N/A	N
Helix TCS LLC	None	N/A	N/A	N
Security Consultants Group LLC	10200 E. Girard Avenue, Suite B420, Denver, CO	Owned and Leased	Automated Business Products	N
Security Grade Protective Services Ltd	10200 E. Girard Avenue, Suite B420, Denver, CO	Owned	N/A	N
Boss Security Solutions Inc.	None	N/A	N/A	N
BioTech Medical Software Inc.	6750 N. Andrews Avenue, Suite 325, Ft. Lauderdale, FL			N
Engeni LLC	None	N/A	N/A	N
Engeni S.A.	Av. Del Libertador 88, 4th Floor, B1638 Vicente Lopez, Buenos Aires, Argentina	Owned	N/A	N

SCHEDULE II

Trade Names

Cannabase

BioTrackTHC

Helix Security

Security Grade Protective Services

Engeni

SCHEDULE III

Copyrights

SCHEDULE IV

Patents

U.S. Patent #8,086,470 B2 dated 12/27/11

U.S. Patent #8,335,697 B2 dated 12/18/12

Canadian Patent 2715969

SCHEDULE V

Trademarks

US Trademark 4754616. BioTrackTHC Logo Trademark

Cannalytics 86617890

TAP Reg. No. 5,099,248

Cannabase 86617897

SCHEDULE VI

Depository and Other Accounts

Bank name, account name, and account number

Bank of America, Bio-Tech Medical Software Inc., Checking Account, Account Number: 898015394450

Wells Fargo, Bio-Tech Medical Software Inc., Checking Account, Account Number: 9178117942

Wells Fargo, Bio-Tech Medical Software Inc., Savings Account, Account Number: 3315176390

Chase Bank, Bio-Tech Medical Software Inc., Checking Account, Account Number: 229906398

Chase Bank, Security Consultants Group, LLC, Checking Account, Account Number: 000000831301788

Wells Fargo, Boss Security Solutions Inc., Checking Account, Account Number: 8413359566

Wells Fargo, Boss Security Solutions Inc., Savings Account, Account Number: 7321091188

Citizens Bank, Helix TCS LLC, Checking Account, Account Number 630070-076-7

FirstBank, Helix TCS Inc, Checking Account, Account Number 3665751160

SCHEDULE VII

Commercial Tort Claim

None.

SCHEDULE VIII

Real Property Interests

The Debtors lease real property at the following locations:

- 10200 E. Girard Avenue, Suite B420, Denver, CO
- 10200 E. Girard Avenue, Suite B420, Denver, CO
- 6750 N. Andrews Avenue, Suite 325, Ft. Lauderdale, FL
- Av. Del Libertador 88, 4th Floor, B1638 Vicente Lopez, Buenos Aires, Argentina

SCHEDULE IX

Debtor's Equipment

Date	Supplier	Description	Cost (US)
11/4/14	Ricoh	MP C4503 and MP4002SP copiers (leased)	Approx. $20,000
3/29/16	Automated Business Products	1- Okidata 4242 all in one (leased)	Approx. $5,000
2/23/17	Ford	Cargo Van Vin NM0LE7E72G1258079	$ 24,452
1/31/18	Ford	Van Vin NM0LS7E73H1334404	$ 28,175
1/31/18	Ford	Van Vin NM0LS6E75J1347140	$ 26,748
6/15/17	Ford	Van Vin NM0LS7E73H1315254	$ 26,271
1/17/17	Nissan	NV Van Vin 3N6CM0KN1GK701639	$ 23,815
1/17/17	Nissan	NV Van Vin 3N6CM0KN7GK701371	$ 26,070

SUBSIDIARY GUARANTY

This SUBSIDIARY GUARANTY (as amended, restated, supplemented, or otherwise modified and in effect from time to time, this "Guaranty") made as of March 1, 2019, jointly and severally, by Helix TCS, LLC, ("LLC"), Security Consultants Group, LLC ("SCG"), Boss Security Solutions, ("Boss"), Security Grade Protective Services, Ltd. ("SG"), Bio-Tech Medical Software, Inc. ("THC"), and Engeni LLC ("Engeni", and together with LL SCG, Boss, SG, THC, and each other Person who becomes a party to this Guaranty by execution of a joinder in the form of Exhibit A attached hereto, which shall include all wholly-owned or majority-owned subsidiaries of the Company acquired after the date hereof for so long as this Guaranty remains in effect, shall each be referred to individually as a "Guarantor" and collectively as the "Guarantors"), in favor of the purchasers listed on the signature pages of the Purchase Agreement (as defined below) (together with their respective successors and assigns and each other purchaser of a Note (as defined below) after the date hereof and their respective successors and assigns, each a "Purchaser" and collectively, the "Purchasers"), and Rose Capital Fund I, LP, a Delaware limited partnership, as collateral agent for the Purchasers (the "Collateral Agent"). All references to a "Purchaser" or "Purchasers" hereunder shall include the Collateral Agent acting in its capacity as a Purchaser.

WHEREAS, the purchasers as from time to time parties to the Rose Purchase Agreement (as hereafter defined), together with their successors and assigns, and each other purchaser of a Note (as defined) together with their respective successors and assigns, (the "Rose Purchasers"), will purchase from the Company certain senior secured notes each made by the Company and dated as of the date hereof in an initial aggregate principal amount of $1,500,000 (all such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Notes"), and receive certain Common Stock Purchase Warrants (all such Warrants, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Warrants");

WHEREAS, the Company delivered a convertible promissory note (the "Existing RedDiamond Note") in the aggregate principal amount $208,333.33 to RedDiamond Partners, LLC ("RD") and Common Stock Purchase Warrants (the "Existing RedDiamond Warrants"), in each case pursuant that certain Securities Purchase Agreement by and between the Company and RD, dated as of February 13, 2017 (the "Existing RedDiamond Purchase Agreement");

WHEREAS, as of the date hereof the principal amount outstanding on the Existing RedDiamond Note is $116,780;

WHEREAS, RD transferred the Existing RedDiamond Note to Rock;

WHEREAS, the Existing RedDiamond Note is secured pursuant to that certain security agreement by and among the Company, all the subsidiaries of the Company and RD, dated as of February 14, 2017 (the "RedDiamond Security Agreement");

WHEREAS, Rock desires to terminate the RedDiamond Security Agreement and to become a party to this Agreement, and the Company desires permit Rock to terminate the RedDiamond Security Agreement and become a party to this Agreement;

WHEREAS, Rock will purchase a secured convertible promissory note (the "New Rock Note" and, with the Existing RedDiamond Note and t Rose Notes, collectively, the "Notes") in the aggregate principal amount of $450,000.00, and Common Stock Purchase Warrants (the "New Rock Warrants" and, with the Existing RedDiamond Warrants and the Rose Warrants, collectively, the "Warrants"), in each case pursuant to that certain Securities Purchase Agreement by and between the Company and Rock, dated as of the date hereof (the "New Rock Purchase Agreement");

WHEREAS, the Rose Notes are being acquired by the Secured Parties other than Rock, and the Secured Parties other than Rock have made certa financial accommodations to the Company pursuant to a Securities Purchase Agreement, dated as of the date hereof, by and among the Company and the Secured Parties other than Rock (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Rose Purchase Agreement", and together with the Existing RedDiamond Purchase Agreement and the New Rock Purchase Agreement, the "Purchase Agreements" Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Rose Purchase Agreement;

WHEREAS, each Debtor will derive substantial benefit and advantage from the financial accommodations to the Company set forth in the Purchas Agreements and the Notes, and it will be to each such Debtor's direct interest and economic benefit to assist the Company in procuring said financia accommodations from the Secured Parties;

WHEREAS, pursuant to a Security Agreement dated as of the Closing Date (as the same may be amended, restated, supplemented or otherwis modified and in effect from time to time, the "Security Agreement") by the Debtors (as defined in the Security Agreement) in favor of the Collateral Agent such Debtors have granted the Collateral Agent, for its benefit and the benefit of the other Purchasers (as defined therein), a first priority Lien on and security interest in all of their respective rights in the Collateral (as defined in the Security Agreement); and

WHEREAS, the Guarantors are subsidiaries of the Company and, as such, will derive substantial benefit and advantage from the Purchas Agreements, the Notes, the Pledge Agreement, the Security Agreement and the other related agreements (collectively, the "Transaction Documents").

NOW, THEREFORE, for and in consideration of the promises and for other good and valuable consideration, the receipt and sufficiency of which ar hereby acknowledged, each Guarantor hereby jointly and severally agrees as follows:

1. Definitions: Capitalized terms used herein without definition and defined in the Purchase Agreement are used herein as defined therein. In addition as used herein:

"Bankruptcy Code" shall mean the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101et seq.), as amended and in effect from time to time thereunder.

"Obligations" shall mean (i) all obligations, liabilities and indebtedness of every nature of the Company and each Guarantor from time to time owed or owing to the Purchasers and the Collateral Agent arising under, out of or in connection with this Guaranty, the Pledge Agreement, the Security Agreement, the Purchase Agreement, the Notes, the Warrants and the other Transaction Documents, including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, taxes, indemnities, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, whether before or after the filing of a bankruptcy, insolvency or similar proceeding under applicable federal, state, foreign or other law and whether or not an allowed claim in any such proceeding, and (ii) all obligations, liabilities and indebtedness of every nature of any subsequent Guarantor from time to time owed or owing to the Purchasers and/or the Collateral Agent, under or in respect of this Guaranty, the Pledge Agreement, the Security Agreement, the Purchase Agreement, the Notes, the Warrants and the other Transaction Documents, as the case may be, including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, taxes, indemnities, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, whether before or after the filing of a bankruptcy, insolvency or similar proceeding under applicable federal, state, foreign or other law and whether or not an allowed claim in any such proceeding.

2. Guaranty of Payment.

(a) Each Guarantor, jointly and severally, hereby unconditionally and irrevocably guarantees the full and prompt payment and performance to the Purchasers and the Collateral Agent, on behalf of itself and in its capacity as agent for the benefit of Purchasers, when due, upon demand, at maturity or by reason of acceleration or otherwise and at all times thereafter, of any and all of the Obligations.

(b) Each Guarantor acknowledges that valuable consideration supports this Guaranty, including, without limitation, the consideration set forth in the recitals above; any extension, renewal or replacement of any of the Obligations; any forbearance with respect to any of the Obligations or otherwise; any cancellation of an existing guaranty; any purchase of any of the Company's assets by any Purchaser or Collateral Agent; or any other valuable consideration.

(c) Each Guarantor agrees that all payments under this Guaranty shall be made in United States currency and in the same manner as provided for the Obligations.

(d) Notwithstanding any provision of this Guaranty to the contrary, it is intended that this Guaranty, and any interests, Liens and security interests granted by Guarantors as security for this Guaranty, not constitute a "Fraudulent Conveyance" (as defined below) in the event that this Guaranty or such interest is subject to the Bankruptcy Code or any applicable fraudulent conveyance or fraudulent transfer law or other applicable laws of any state. Consequently, the Guarantors, the Collateral Agent and the Purchasers all agree that if this Guaranty, or any such interests, Liens or security interests securing this Guaranty, would, but for the application of this sentence, constitute a Fraudulent Conveyance, this Guaranty and each such Lien and security interest shall be valid and enforceable only to the maximum extent that would not cause this Guaranty or such interest, Lien or security interest to constitute a Fraudulent Conveyance, and this Guaranty shall automatically be deemed to have been amended accordingly at all relevant times. For purposes hereof, "Fraudulent Conveyance" means a fraudulent conveyance under Section 548 of the Bankruptcy Code or a fraudulent conveyance or fraudulent transfer under the provisions of any applicable fraudulent conveyance or fraudulent transfer law or other applicable laws of any state, as in effect from time to time.

3. Costs and Expenses. The Company and each Guarantor, jointly and severally, agrees to pay on demand, all reasonable Costs and Expenses of every kind incurred by any Purchaser or the Collateral Agent: (a) in enforcing this Guaranty or any other Transaction Document, (b) in collecting any of the Obligations from any Guarantor pursuant to this Guaranty or any other Transaction Document, (c) in realizing upon or protecting or preserving any Collateral (as defined in the Security Agreement), and (d) in connection with any amendment of, modification to, waiver or forbearance granted under, or enforcement or administration of this Guaranty or any other Transaction Document or for any other purpose in connection with this Guaranty or any other Transaction Document, in each case, to the extent a Purchaser or the Collateral Agent may take such action pursuant to the terms and conditions of this Guaranty. "Costs and Expenses" as used in the preceding sentence shall include, without limitation, reasonable attorneys' fees incurred by any Purchaser or the Collateral Agent in retaining legal counsel for advice, suit, appeal, any insolvency or other proceedings under the Bankruptcy Code or otherwise, or for any purpose specified in the preceding sentence.

4. Nature of Guaranty: Continuing, Absolute and Unconditional.

(a) This Guaranty is and is intended to be a continuing guaranty of payment of the Obligations, and not of collectability, and is intended to be independent of and in addition to any other guaranty, endorsement, collateral or other agreement held by a Purchaser or the Collateral Agent therefor or with respect thereto, whether or not furnished by a Guarantor. None of Purchasers and Agent shall be required to prosecute collection, enforcement or other remedies against any Company, any other Guarantor or guarantor of the Obligations or any other person or entity, or to enforce or resort to any of the Collateral or other rights or remedies pertaining thereto, before calling on a Guarantor for payment. The obligations of each Guarantor to repay the Obligations hereunder shall be unconditional. Guarantor shall have no right to exercise any right of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim which it may now or hereafter have against any Company in connection with this Guaranty until the termination of this Guaranty in accordance with Section 8 below, and hereby waives any benefit of, and any right to participate in, any security or collateral given to Purchasers to secure payment of the Obligations, and each Guarantor agrees that it will not take any action to enforce any obligations of any Company to such Guarantor prior to the Obligations being finally and irrevocably paid in full in cash, provided that, in the event of the bankruptcy or insolvency of any Company, to the extent the Obligations have not been finally and irrevocably paid in full in cash, Agent, for the benefit of itself and Purchasers, and Purchasers shall be entitled notwithstanding the foregoing, to file in the name of any Guarantor or in its own name a claim for any and all indebtedness owing to a Guarantor by such Company (exclusive of this Guaranty), vote such claim and to apply the proceeds of any such claim to the Obligations.

(b) For the further security of Purchasers and without in any way diminishing the liability of the Guarantors, following the occurrence and during the continuance of an Event of Default, all debts and liabilities, present or future, of the Companies to the Guarantors, and all monies received from any Company or for its account by the Guarantors in respect thereof shall be received in trust for Purchasers and Agent and promptly following receipt shall be paid over to Agent, for its benefit and in its capacity as Agent for the benefit of Purchasers, until all of the Obligations have been paid in full in cash. This assignment and postponement is independent of and severable from this Guaranty and shall remain in full effect whether or not any Guarantor is liable for any amount under this Guaranty.

(c) This Guaranty is absolute and unconditional and shall not be changed or affected by any representation, oral agreement, act or thing whatsoever, except as herein provided. This Guaranty is intended by the Guarantors to be the final, complete and exclusive expression of the guaranty agreement among the Company, the Guarantors, the Purchasers and the Collateral Agent (except as expressly limited by the express terms of this Guaranty). No modification or amendment of any provision of this Guaranty shall be effective against any party hereto unless in writing and signed by a duly authorized officer of such party. This Guaranty, together with the other Transaction Documents, supersedes all other prior oral or written agreements between the Purchasers, the Company, the Guarantors and the Collateral Agent, their respective Affiliates and Persons acting on their respective behalves with respect to the matters discussed herein, and this Guaranty, together with the other Transaction Documents and the other instruments referenced herein and therein, contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company, any Guarantor, the Collateral Agent nor any Purchaser makes any representation, warranty, covenant or undertaking with respect to such matters. As of the date of this Guaranty, there are no unwritten agreements between the parties with respect to the matters discussed herein. No provision of this Guaranty may be amended, modified or supplemented other than by an instrument in writing signed by the parties hereto.

(d) Each Guarantor hereby releases each Purchaser and the Collateral Agent from all, and agrees not to assert or enforce (whether by or in a legal or equitable proceeding or otherwise) any, "claims" (as defined in Section 101(5) of the Bankruptcy Code), whether arising under any law, ordinance, rule, regulation, order, policy or other requirement of any domestic or foreign governmental authority or any instrumentality or agency thereof, having jurisdiction over the conduct of its business or assets or otherwise, to which the Guarantors are or would at any time be entitled by virtue of its obligations hereunder, any payment made pursuant hereto or the exercise by any Purchaser or the Collateral Agent of its rights with respect to the Collateral (as defined in the Security Agreement), including any such claims to which such Guarantor may be entitled as a result of any right of subrogation, exoneration or reimbursement.

5. Certain Rights and Obligations.

(a) Each Guarantor acknowledges and agrees that the Collateral Agent may, without notice, demand or any reservation of rights against such Guarantor and without affecting such Guarantor's obligations hereunder, from time to time:

(i) renew, extend, increase, accelerate or otherwise change the time for payment of, the terms of or the interest on the Obligations or any part thereof or grant other indulgences to any Guarantor or others;

(ii) accept from any Person and hold Collateral (as defined in the Security Agreement) for the payment of the Obligations or any part thereof, and modify, exchange, enforce or refrain from enforcing, or release, compromise, settle, waive, subordinate or surrender, with or without consideration, such Collateral (as defined in the Security Agreement) or any part thereof;

(iii) accept and hold any endorsement or guaranty of payment of the Obligations or any part thereof, and discharge, release or substitute any such obligation of any such endorser or guarantor, or discharge and release or compromise any Guarantor, or any other Person who has given any security interest in any Collateral (as defined in the Security Agreement) as security for the payment of the Obligations or any part thereof, or any other Person in any way obligated to pay the Obligations or any part thereof, and enforce or refrain from enforcing, or compromise or modify, the terms of any obligation of any such endorser, guarantor or Person;

(iv) dispose of any and all Collateral (as defined in the Security Agreement) securing the Obligations in its reasonable discretion, as it may deem appropriate, and direct the order or manner of such disposition and the enforcement of any and all endorsements and guaranties relating to the Obligations or any part thereof as the Collateral Agent in its reasonable discretion may determine;

(v) subject to the terms of the Notes, determine the manner, amount and time of application of payments and credits, if any, to be made on all or any part of any component or components of the Obligations (whether principal, interest, fees, costs, and expenses, or otherwise), including, without limitation, the application of payments received from any source to the payment of Indebtedness other than the Obligations even though one or more Purchasers might lawfully have elected to apply such payments to the Obligations or to amounts which are not covered by this Guaranty;

(vi) take advantage or refrain from taking advantage of any security or accept or make or refrain from accepting or making any compositions or arrangements when and in such manner as Collateral Agent, in its sole discretion, may deem appropriate; and

(vii) generally do or refrain from doing any act or thing which might otherwise, at law or in equity, release the liability of such Guarantor as a guarantor or surety in whole or in part, and in no case shall any Purchaser or Collateral Agent be responsible or shall any Guarantor be released either in whole or in part for any act or omission in connection with a Purchaser or Collateral Agent having sold any security at less than its fair market value.

(b) Following the occurrence and during the continuance of an Event of Default (as defined in the Notes), and upon demand by the Collateral Agent, each Guarantor, jointly and severally, hereby agrees to pay the Obligations to the extent hereinafter provided and to the extent unpaid:

(i) without deduction by reason of any setoff, defense (other than payment) or counterclaim of the Company or any other Guarantor;

(ii) without requiring presentment, protest or notice of nonpayment or notice of default to the Company, any other Guarantor or any other Person;

(iii) without demand for payment or proof of such demand or filing of claims with a court in the event of receivership, bankruptcy or reorganization of the Company or any other Guarantor;

(iv) without requiring any Purchaser or the Collateral Agent to resort first to the Company (this being a guaranty of payment and not of collection), to any other Guarantor, or to any other guaranty or any collateral which a Purchaser or the Collateral Agent may hold;

(v) without requiring notice of acceptance hereof or assent hereto by any Purchaser or the Collateral Agent; and

(vi) without requiring notice that any of the Obligations has been incurred, extended or continued or of the reliance by any Purchaser or the Collateral Agent upon this Guaranty;

all of which each Guarantor hereby irrevocably waives.

(c) Each Guarantor's obligation hereunder shall not be affected by any of the following, all of which such Guarantor hereby waives:

(i) any failure to perfect or continue the perfection of any security interest in or other Lien on any Collateral (as defined in the Security Agreement) securing payment of any of the Obligations or any Guarantor's obligation hereunder;

(ii) the invalidity, unenforceability, propriety of manner of enforcement of, or loss or change in priority of any document or security interest or other Lien or guaranty of the Obligations;

(iii) any failure to protect, preserve or insure any Collateral (as defined in the Security Agreement);

(iv) failure of a Guarantor to receive notice of any intended disposition of any Collateral (as defined in the Security Agreement);

(v) any defense arising by reason of the cessation from any cause whatsoever of liability of any Guarantor including, without limitation, any failure, negligence or omission by any Purchaser or the Collateral Agent in enforcing its claims against the Company;

(vi) any release, settlement or compromise of any Obligation of the Company, any other Guarantor or any other Person guaranteeing the Obligations;

(vii) the invalidity or unenforceability of any of the Obligations;

(viii) any change of ownership of the Company, any other Guarantor or any other Person guaranteeing the Obligations or the insolvency, bankruptcy or any other change in the legal status of the Company, any Guarantor or any other Person guaranteeing the Obligations;

(ix) any change in, or the imposition of, any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Obligations;

(x) the existence of any claim, setoff or other rights which the Company, the Guarantor, any other Guarantor or guarantor of the Obligations or any other Person may have at any time against any Purchaser or the Collateral Agent in connection herewith or any unrelated transaction;

(xi) any Purchaser's or the Collateral Agent's election in any case instituted under chapter 11 of the Bankruptcy Code, of the application of section 1111(b)(2) of the Bankruptcy Code;

(xii) any use of cash Collateral (as defined in the Security Agreement), or grant of a security interest by any Company, as debtor in possession, under sections 363 or 364 of the Bankruptcy Code;

(xiii) the disallowance of all or any portion of any of any Purchaser's or the Collateral Agent's claims for repayment of the Obligations under sections 502 or 506 of the Bankruptcy Code;

(xiv) any stay or extension of time for payment by the Company or any Guarantor resulting from any proceeding under the Bankruptcy Code or any other applicable law; or

(xv) any other fact or circumstance which might otherwise constitute grounds at law or equity for the discharge or release of a Guarantor from its obligations hereunder, all whether or not such Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (i) through (xiv) of this Section 5(c).

6. Representations and Warranties. Each Guarantor further represents and warrants to each Purchaser and the Collateral Agent that: (a) such Guarantor is a corporation or other entity duly incorporated or organized, as applicable, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, as applicable, and has full power, authority and legal right to own its property and assets and to transact the business in which it is presently engaged; (b) such Guarantor has full power, authority and legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary action to authorize the guarantee hereunder on the terms and conditions of this Guaranty and to authorize the execution, delivery and performance of this Guaranty; (c) this Guaranty has been duly executed and delivered by such Guarantor and constitutes a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except to the extent that such enforceability is subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and moratorium laws and other laws of general application affecting enforcement of creditors' rights generally, or the availability of equitable remedies, which are subject to the discretion of the court before which an action may be brought; and (d) the execution, delivery and performance by each Guarantor of this Guaranty does not require any action by or in respect of, or filing with, any governmental body, agency or official and do not violate, conflict with or cause a breach or a default under any provision of (i) applicable law or regulation, (ii) the organizational documents of such Guarantor, (iii) any judgment, injunction, order, decree or other instrument binding upon it, or (iv) any agreement binding upon it.

7. Covenants. Each Guarantor covenants with each Purchaser and the Collateral Agent that such Guarantor shall not grant any security interest in or permit any Lien upon any of its assets in favor of any Person other than Permitted Liens (as defined in the Notes) and security interests in favor of the Purchasers and the Collateral Agent. Each Guarantor agrees that it shall not take any action or engage in any transaction that such Guarantor is prohibited from taking or engaging in pursuant to the terms of the Transaction Documents. In addition, each Guarantor agrees to comply with the terms of the Transaction Documents to the same extent that the Company is required to cause the Guarantors to comply with such terms of the Transaction Documents. Each Guarantor, by its signature hereto, hereby acknowledges and agrees that a breach by such Guarantor of this Agreement constitutes an "Event of Default" under the Note and the other Transaction Documents.

8. Termination. This Guaranty shall not terminate until the full and complete performance and indefeasible satisfaction of all of the Obligations (including, without limitation, the indefeasible payment in full in cash of all such Obligations) (i) in respect of the Transaction Documents, and (ii) with respect to which claims have been asserted by Collateral Agent and/or a Purchaser arising out of or relating to the Transaction Documents. Thereafter, but subject to the following, the Collateral Agent, on behalf of itself and as agent for the Purchasers, shall take such actions and execute such documents as the Guarantors may reasonably request (and at the Guarantors' cost and expense) in order to evidence the termination of this Guaranty. Payment of all of the Obligations owing from time to time shall not operate as a discontinuance of this Guaranty. Each Guarantor further agrees that, to the extent that the Company or a Guarantor makes a payment to the Purchasers or the Collateral Agent on the Obligations, or the Purchasers or the Collateral Agent receive any proceeds from the Collateral (as defined in the Security Agreement) securing the Obligations or any other payments with respect to the Obligations, which payment or receipt or proceeds or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be returned or repaid to the Company, a Guarantor or any of their respective estates, trustees, receivers, debtors in possession or any other Person under any insolvency or bankruptcy law (including, but not limited to the Bankruptcy Code), state or federal law, common law or equitable cause, then to the extent of such payment, return or repayment, the obligation or part thereof which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date when such initial payment, reduction or satisfaction occurred, and this Guaranty shall continue in full force notwithstanding any contrary action which may have been taken by any Purchaser or the Collateral Agent in reliance upon such payment, and any such contrary action so taken shall be without prejudice to any Purchaser's or the Collateral Agent's rights under this Guaranty and shall be deemed to have been conditioned upon such payment having become final and irrevocable. Upon satisfaction of the Obligations in accordance with this Section 8, the Guarantors' obligations under this Agreement shall immediately terminate and the Guaranty shall be void.

9. Guaranty of Performance. Each Guarantor also, jointly and severally, guarantees the full, prompt and unconditional performance of all Obligations and agreements of every kind owed or hereafter to be owed by the Company or the other Guarantors to the Purchasers or the Collateral Agent under this Guaranty and the other Transaction Documents. Every provision for the benefit of the Purchasers or the Collateral Agent contained in this Guaranty shall apply to the guaranty of performance given in this Section 9.

10. Assumption of Liens and Obligations. To the extent that a Guarantor has received or shall hereafter receive distributions or transfers from the Company of property or cash that are subject, at the time of such distribution or transfer, to Liens and security interests in favor of Purchasers or the Collateral Agent in accordance with the Transaction Documents, such Guarantor hereby expressly agrees that (i) it shall hold such assets subject to such Liens and security interests, and (ii) it shall be liable for the payment of the Obligations secured thereby. Each Guarantor's obligations under this Section 10 shall be in addition to its obligations as set forth in other sections of this Guaranty and not in substitution therefor or in lieu thereof.

11. Miscellaneous.

(a) The terms "Company" and "Guarantor" as used in this Guaranty shall include: (i) any successor individuals, associations, partnerships, limited liability companies, corporations or other entities to which all or substantially all of the business or assets of such Company or such Guarantor shall have been transferred and (ii) any other associations, partnerships, limited liability companies, corporations or entities into or with which such Company or such Guarantor shall have been merged, consolidated, reorganized, or absorbed.

(b) Without limiting any other right of any Purchaser or the Collateral Agent, whenever any Purchaser or the Collateral Agent has the right to declare any of the Obligations to be immediately due and payable (whether or not it has been so declared), the Collateral Agent, on its behalf and in its capacity as agent for the benefit of the Purchasers, at its sole election without notice to the undersigned may appropriate and set off against the Obligations:

(i) any and all indebtedness or other moneys due or to become due the Company or to any Guarantor by any Purchaser or the Collateral Agent in any capacity and whether arising out of or related to the Transaction Documents or otherwise; and

(ii) any credits or other property belonging to the Company or any Guarantor (including all account balances, whether provisional or final and whether or not collected or available) at any time held by or coming into the possession of any Purchaser or the Collateral Agent, or any Affiliate of any Purchaser or the Collateral Agent, whether for deposit or otherwise;

in each case, whether or not then due and owing, and the applicable Purchaser or the Collateral Agent, as applicable, shall be deemed to have exercised such right of set off immediately at the time of such election even though any charge therefore is made or entered on such Purchaser's or the Collateral Agent's records subsequent thereto. The Collateral Agent agrees to notify such Guarantor in a reasonable time of any such set-off; however, failure of the Collateral Agent to so notify such Guarantor shall not affect the validity of any set-off.

(c) Each Guarantor's obligation hereunder is to pay the Obligations in full in cash when due according to this Guaranty, the Notes, the Warrants, the other Transaction Documents, and any other agreements, documents and instruments governing the Obligations to the extent provided herein, and shall not be affected by any stay or extension of time for payment for the benefit of the Company or any other Guarantor resulting from any proceeding under the Bankruptcy Code or any other applicable law.

(d) No course of dealing between the Company or any Guarantor, on the one hand, and a Purchaser or the Collateral Agent, on the other hand, and no act, delay or omission by a Purchasers or the Collateral Agent in exercising any right or remedy hereunder or with respect to any of the Obligations shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of each Purchaser and the Collateral Agent hereunder are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

(e) This Guaranty shall inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Collateral Agent may assign its rights hereunder, in which event such assignee shall be deemed to be the Collateral Agent hereunder with respect to such assigned rights.

(g) Captions of the sections of this Guaranty are solely for the convenience of the parties hereto, and are not an aid in the interpretation of this Guaranty and do not constitute part of the agreement of the parties set forth herein.

(h) If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective.

(i) All questions concerning the construction, validity, enforcement and interpretation of this Guaranty shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each Guarantor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each Guarantor hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing by registered or certified mail a copy thereof to such party at the address for such notices to it under this Guaranty and agrees that such service shall constitute good and sufficient service of process and notice thereof as of the date that is five (5) business days after the mailing thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

12. Notices. All notices, approvals, requests, demands and other communications hereunder shall be delivered or made in the manner set forth in, and shall be effective in accordance with the terms of, the Purchase Agreement; provided, that any communication shall be effective as to any Guarantor if made or sent to the Company in accordance with the foregoing.

13. WAIVERS.

(a) EACH GUARANTOR WAIVES THE BENEFIT OF ALL VALUATION, APPRAISAL AND EXEMPTION LAWS.

(b) UPON THE OCCURRENCE OF A DEFAULT OR EVENT OF DEFAULT (AS DEFINED IN THE NOTES), GUARANTOR HEREBY WAIVES ALL RIGHTS TO NOTICE AND HEARING OF ANY KIND PRIOR TO THE EXERCISE PURCHASER OR THE COLLATERAL AGENT, ON ITS BEHALF AND IN ITS CAPACITY AS AGENT FOR THE BENEFIT OF PUR OF ITS RIGHTS TO REPOSSESS THE COLLATERAL WITHOUT JUDICIAL PROCESS OR TO REPLEVY, ATTACH OR LEVY U COLLATERAL WITHOUT PRIOR NOTICE OR HEARING. EACH GUARANTOR ACKNOWLEDGES THAT IT HAS BEEN ADV COUNSEL OF ITS CHOICE WITH RESPECT TO THIS TRANSACTION AND THIS GUARANTY.

(c) EACH GUARANTOR WAIVES ITS RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION UPON OR ARISING OUT OF OR RELATED TO THIS GUARANTY, OR THE OTHER TRANSACTION DOCUMENTS, IN ANY PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY PURCHASER OR THE COLLATERAL AGEN GUARANTOR AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT WITHOUT A JURY. W LIMITING THE FOREGOING, EACH GUARANTOR FURTHER AGREES THAT ITS RIGHT TO A TRIAL BY JURY IS WAI OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHO PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS GUARANTY OR ANY PROVISION HEREOF. THIS SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY.

14. Agent. The terms and provisions of the Purchase Agreement which set forth the appointment of the Collateral Agent and the terms and provisions of the Security Agreement and the Pledge Agreement which set for the indemnifications to which the Collateral Agent is entitled are hereby incorporated by reference herein as if fully set forth herein.

15. Payments Free of Taxes.

(a) Definitions. In this Section 15:

(i) "Excluded Taxes" means, with respect to the Collateral Agent or the Purchasers, or any other recipient of any payment to be made by or on account of any obligations of any Guarantor under this Guaranty, or under any other Transaction Document, income or franchise taxes imposed on (or measured by) its net income by the United States of America or such other jurisdiction under the laws of which such recipient is organized or in which its principal office is located.

(ii) "Governmental Authority" means the government of the United States of America or any other nation, or any political subdivision thereof, whether state or local, or any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the company or any of the Guarantors, or any of their respective properties, assets or undertakings.

(iii) "Indemnified Taxes" means Taxes other than Excluded Taxes.

(iv) "Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

(b) Any and all payments by or on account of the Obligations of any of the Guarantors under this Guaranty or any other Transaction Document shall be made without any set-off, counterclaim or deduction and free and clear of and without deduction for any Indemnified Taxes; provided that if any Guarantor shall be required to deduct any Indemnified Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 15(b)), the Collateral Agent or the Purchasers, as applicable, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

16. Indemnification by the Guarantors. Each Guarantor shall indemnify the Collateral Agent and the Purchasers, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes paid by the Collateral Agent or Purchasers, as applicable, on or with respect to any payment by or on account of any obligation of such Guarantor under this Guaranty and the other Transaction Documents (including Indemnified Taxes or imposed or asserted on or attributable to amounts payable under this Section 16) and any penalties, interest and reasonable expenses including reasonable attorneys fees arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate of the Collateral Agent or any Purchaser as to the amount of such payment or liability under this Section 16 shall be delivered to such Guarantor and shall be conclusive absent manifest error.

17. Counterparts; Headings. This Guaranty may be executed in two or more identical counterparts, all of which together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party; provided that a facsimile, .pdf or similar electronically transmitted signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original signature. The headings in this Guaranty are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

18. Rights of Contribution. The Guarantors hereby agree as among themselves that, if any Guarantor shall make an Excess Payment (as defined below), such Guarantor shall have a right of contribution from each other Guarantor in an amount equal to such other Guarantor's Contribution Share (as defined below) of such Excess Payment. The payment obligations of any Guarantor under this Section 18 shall be subordinate and subject in right of payment to the Obligations until such time as the Obligations have been paid in full in cash, and none of the Guarantors shall exercise any right or remedy under this Section 18 against any other Guarantor until such Obligations have been paid in full in cash. For purposes of this Section 18, (a) "Excess Payment" shall mean the amount paid by any Guarantor in excess of its Ratable Share of any Obligations; (b) "Ratable Share" shall mean, for any Guarantor in respect of any payment of Obligations, the ratio (expressed as a percentage) as of the date of such payment of Obligations of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of the Company and the Guarantors exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Guarantors hereunder) of the Company and the Guarantors,provided, that, for purposes of calculating the Ratable Shares of the Guarantors in respect of any payment of Obligations, any Guarantor that became a Guarantor subsequent to the date of any such payment shall be deemed to have been a Guarantor on the date of such payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such payment; and (c) "Contribution Share" shall mean, for any Guarantor in respect of any Excess Payment made by any other Guarantor, the ratio (expressed as a percentage) as of the date of such Excess Payment of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the Obligations) of the Company and the Guarantors other than the maker of such Excess Payment;provided, however, that, for purposes of calculating the Contribution Shares of the Guarantors in respect of any Excess Payment, any Guarantor that became a Guarantor subsequent to the date of any such Excess Payment shall be deemed to have been a Guarantor on the date of such Excess Payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such Excess Payment. This Section 18 shall not be deemed to affect any right of subrogation, indemnity, reimbursement or contribution that any Guarantor may have under law against the Company in respect of any payment of Obligations.

[Signature page follows]

IN WITNESS WHEREOF, each Company and the Guarantors have executed this Guaranty as of the date first written above.

GUARANTORS:

Helix TCS, LLC

By: _____
Name:
Title:

Security Consultants Group, LLC

By: _____
Name:
Title:

Boss Security Solutions, Inc.

By: _____
Name:
Title:

Security Grade Protective Services, Ltd.

By: _____
Name:
Title:

Bio-Tech Medical Software, Inc.

By: _____
Name:
Title:

Engeni LLC

By: _____
Name:
Title:

COLLATERAL AGENT:

ROSE CAPITAL FUND I, LP

By: Rose Capital Fund I GP, LLC
Its: General Partner

By: Rose Management Group LLC
Its: Manager

By: _____
Name: Jonathan Rosenthal
Title: Member

By: _____
Name: Andrew Schweibold
Title: Member

EXHIBIT A

Form of Joinder to
Subsidiary Guaranty

This Joinder Agreement is made between the undersigned, _____ a [•], (the "New Subsidiary") and Rose Capital Fund I, LP, a Delawar limited partnership, as Collateral Agent under that certain Subsidiary Guaranty dated as of March 1, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty") by and among the Company, the Guarantors and the Collateral Agent; together with each other Person tha becomes a Guarantor thereunder after the date and pursuant to the terms thereof, to and in favor of the Purchasers. Capitalized terms herein and not otherwise defined herein shall have the meanings assigned to such terms in the Guaranty.

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a party to the Guaranty and a "Guarantor" for all purposes of the Guaranty, and shall have all of the obligations of a Guarantor thereunder as if it had executed the Guaranty. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Guarantors contained in the Guaranty. Without limiting the generality of the foregoing terms of this paragraph 1, the New Subsidiary hereby jointly and severally together with the other Guarantors, guarantees to the Purchasers and the Collateral Agent, as provided in the Guaranty, the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

2. The New Subsidiary represents and warrants that the representations and warranties set forth in Section 6 of the Guaranty are, with respect to the undersigned, true and correct as of the date hereof.

3. From and after the date hereof, each reference to a Guarantor in the Guaranty shall be deemed to include the undersigned.

4. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

5. THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE NEW YORK.

[*Signature page follows*]

IN WITNESS WHEREOF, the undersigned has executed this Joinder this ___ day of _____, 201___.

[_____]

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT made as of March 1, 2019 (as amended, restated, supplemented or otherwise modified from time to time, t "Agreement"), by each "Pledgor" signatory hereto (collectively, the "Pledgors", each a "Pledgor") and Rose Capital Fund I, LP, a Delaware limite partnership, in its capacity as agent ("Collateral Agent") for itself and the other Purchasers identified below (together with their respective successors and assigns).

WHEREAS:

A. WHEREAS, the purchasers as from time to time parties to the Rose Purchase Agreement (as hereafter defined), together with their successor and assigns, and each other purchaser of a Note (as defined) together with their respective successors and assigns, (the "Purchasers"), will purchase from the Company certain senior secured notes each made by the Company and dated as of the date hereof in an initial aggregate principal amount of $1,950,000 (al such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Notes"), and receive certain Common Stock Purchase Warrants (all such Warrants, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or modified and in effect from time to time, the "Rose Warrants");

B. WHEREAS, the Company delivered a convertible promissory note (the "Existing RedDiamond Note") in the aggregate principal amount $208,333.33 to RedDiamond Partners, LLC ("RD") and Common Stock Purchase Warrants (the "Existing RedDiamond Warrants"), in each case pursuant that certain Securities Purchase Agreement by and between the Company and RD, dated as of February 13, 2017 (the "Existing RedDiamond Purchas Agreement");

C. WHEREAS, as of the date hereof the principal amount outstanding on the RedDiamond Note is $116,780;

D. WHEREAS, RD transferred the RedDiamond Note to DiamondRock LLC ("Rock");

E. WHEREAS, the RedDiamond Note was secured pursuant to that certain security agreement by and among the Company, all the subsidiaries o the Company and RD, dated as of February 14, 2017 (the "RedDiamond Security Agreement");

F. WHEREAS, on the date hereof, Rock terminated the RedDiamond Security Agreement and became a party to that certain Security Agreeme dated as of the date hereof among the Secured Parties and the Debtors (as defined therein) (the "Security Agreement");

G. WHEREAS, Rock will purchase a secured convertible promissory note (the "New Rock Note" and, with the Existing RedDiamond Note and t Rose Notes, collectively, the "Notes") in the aggregate principal amount of $450,000.00, and Common Stock Purchase Warrants (the "New Rock Warrants" and, with the Existing RedDiamond Warrants and the Rose Warrants, collectively, the "Warrants"), in each case pursuant to that certain Securities Purchase Agreement by and between the Company and Rock, dated as of the date hereof (the "New Rock Purchase Agreement");

H. WHEREAS, the Rose Notes are being acquired by the Secured Parties other than Rock, and the Secured Parties other than Rock have ma certain financial accommodations to the Company pursuant to a Securities Purchase Agreement, dated as of the date hereof, by and among the Company and the Secured Parties other than Rock (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Rose Purchase Agreement", and together with the Existing RedDiamond Purchase Agreement and the New Rock Purchase Agreement, the "Purchase Agreements" Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Rose Purchase Agreement;

I. WHEREAS, each Debtor will derive substantial benefit and advantage from the financial accommodations to the Company set forth in th Purchase Agreements, and the Notes, and it will be to each such Debtor's direct interest and economic benefit to assist the Company in procuring said financial accommodations from the Secured Parties;

J. WHEREAS, to induce the Secured Parties other than Rock to enter into the Rose Purchase Agreement and New Rock Purchase Agreement, a to purchase the Rose Notes and the New Rock Note, and in order to obtain additional investment in the Company in the form of the Rose Notes and the New Rock Note and thereby make the investment in the Company made by Rock pursuant to the RedDiamond Note more secure, (i) each Debtor (other than th Company) will guaranty the Obligations (as hereinafter defined) of the Company pursuant to the terms of one or more guaranties by each such Debtor in favor of the Secured Parties (such guaranties, as amended, restated, modified or supplemented and in effect from time to time, individually, a "Subsidiary Guaranty" and collectively, the "Subsidiary Guaranties") and (ii) each Debtor will pledge and grant a security interest in all of its right, title and interest in and to the Collateral (as hereinafter defined) as security for its Obligations for the benefit of the Secured Parties.

K. Each Pledgor legally and beneficially owns the interests specified opposite its name on Exhibit A hereto and each other corporation or other entity, the stock or other equity interests and securities (any, "Securities") of which are owned or acquired by such Pledgor and described on an addendum hereto from time-to-time executed by a Pledgor in form and substance satisfactory to the Collateral Agent (each such entity is referred to herein as a "Pledge Entity" and collectively as the "Pledge Entities," which shall include all subsidiaries of each Pledgor during the time this Agreement remains in effect); provided that the parties hereto agree that, as of the date hereof, the Pledge Entities specified on Exhibit A are the only Pledge Entities. The failure to execute an addendum shall not relieve the Debtors of their obligation to pledge any after acquired Securities.

L. Pursuant to the Security Agreement, each Pledgor and each other Debtor has granted the Collateral Agent, for its benefit and the benefit of the other Purchasers, a first priority security interest in, lien upon and pledge of all of such Pledgor's or other Debtor's rights in such Pledgor's or other Debtor's Collateral (as defined in the Security Agreement), subject to the prior security interests reflected on Exhibit B hereto.

M. To induce the Purchasers to enter into the Purchase Agreement, purchase the Notes and to make the financial accommodations available to the Pledgors under the Purchase Agreement, and in order to secure the payment and performance by the Pledgors of the Obligations (as hereafter defined), each Pledgor has agreed to pledge to the Purchasers all of the Securities (the "Pledged Equity") of the Pledge Entities now or hereafter owned or acquired by such Pledgor to secure the Obligations. For purposes of this Agreement, "Obligations" means all obligations, liabilities and indebtedness of every nature of the Pledgors or any other Debtor from time-to-time owed or owing under or in respect of this Agreement, the Purchase Agreements, the Notes, the Security Agreement, and any of the other Transaction Documents, and under all other prior loans made to the Pledgors by any of the Purchasers, including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable whether before or after the filing of a bankruptcy, insolvency or similar proceeding under applicable federal, state, foreign or other law and whether or not an allowed claim in any such proceeding.

NOW, THEREFORE, in consideration of the premises and in order to induce the Purchasers to purchase the Notes under the Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby agrees with the Collateral Agent as follows:

1. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given them in the Rose Purchase Agreement.

2. Pledge.

(a) Subject to the security interests reflected on Exhibit B, each Pledgor hereby pledges, assigns, hypothecates, transfers, delivers and grants to the Collateral Agent, for the benefit of itself and the other Purchasers, a first lien on and first priority perfected security interest in (i) all of the Pledged Equity of the Pledge Entities now owned or hereafter acquired by such Pledgor (collectively, the "Pledged Interests"), (ii) any other shares of Pledged Equity hereafter pledged or referred to be pledged to the Collateral Agent pursuant to this Agreement; (ii) all "investment property" as such term is defined in §9-102(a)(49) of the UCC (as defined below) with respect thereto; (iv) any "security entitlement" as such term is defined in § 8-102(a)(17) of the UCC with respect thereto; (v) all books and records relating to the foregoing; and (vi) all Accessions and Proceeds (as each is defined in the UCC) of the foregoing including, without limitation, all distributions (cash, stock, or otherwise), dividends, stock dividends, securities, cash, instruments, rights to subscribe, purchase, or sell, and other property, rights, and interest that such Pledgor is at any time entitled to receive or is otherwise distributed in respect of, or in exchange for, any or all of the Pledged Collateral (as defined below), and without affecting the obligations of such Pledgor under any provision of the Security Agreement, in the event of any consolidation or merger in which such Pledgor is not the surviving corporation, all shares of each class or Pledged Equity of the successor entity formed by or resulting from such consolidation or merger (the collateral described in clauses (i) through (vi) of this Section 2 being collectively referred to as the "Pledged Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations. All of the Pledged Interests now owned by each Pledgor, which are presently represented by certificates, are listed on Exhibit A hereto, which certificates, with undated assignments separate from the certificates or stock/membership interest powers duly executed in blank by such Pledgor and to the extent such certificates are available and not covered by an existing lien or pledge, or irrevocable proxies, are being delivered to the Collateral Agent simultaneously herewith. Upon the creation or acquisition of any new Pledged Interests, to the extent such certificates are available and not covered by an existing lien or pledge, the Company shall cause the relevant Debtor shall execute an Addendum in the form of Exhibit C attached hereto (a "Pledge Addendum"). Any Pledged Collateral described in a Pledge Addendum executed by any Pledgor shall thereafter be deemed to be listed on Exhibit A hereto. The Collateral Agent shall maintain possession and custody of the certificates representing the Pledged Interests and any additional Pledged Collateral.

(b) Each Pledged Interest consisting of either (i) a membership interest in a Person that is a limited liability company or (ii) a partnership interest in a Person that is a partnership (if any) (1) is not and will not be evidenced by a certificate and (2) is not and will not be deemed a "security" governed by Article 8 of the UCC.

3. Representations and Warranties of Pledgors. Each Pledgor represents and warrants to the Collateral Agent, and covenants with the Collateral Agent, that:

(a) Exhibit A sets forth (i) the authorized capital stock and other equity interests of each Pledge Entity, (ii) the number of shares of capital stock and other equity interests of each Pledge Entity that are issued and outstanding as of the date hereof, and (iii) the percentage of the issued and outstanding shares of capital stock and other equity interests of each Pledge Entity held by such Pledgor. Subject to the liens, pledges and security interests set forth in Section 3.1(o) of the Rose Purchase Agreement (the "Existing Liens"), such Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Interests of such Pledgor, and subject to the Existing Liens, such shares are and will remain free and clear of all pledges, liens security interests and other encumbrances and restrictions whatsoever, except the liens and security interests in favor of the Collateral Agent created by this Agreement;

(b) Except as set forth on Exhibit A, there are no outstanding options, warrants or other similar agreements with respect to the Pledged Interests or any of the other Pledged Collateral;

(c) This Agreement is the legal, valid and binding obligation of each Pledgor, enforceable against such Pledgor in accordance with its terms except to the extent that such enforceability is subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and moratorium laws and other laws of general application affecting enforcement of creditors' rights generally, or the availability of equitable remedies, which are subject to the discretion of the court before which an action may be brought;

(d) The Pledged Interests have been duly and validly authorized and issued, are fully paid and non-assessable, and the Pledged Interests listed on Exhibit A constitute all of the issued and outstanding capital stock or other equity interests of the Pledge Entities;

(e) No consent, approval or authorization of or designation or filing with any governmental or regulatory authority on the part of any Pledgor is required in connection with the pledge and security interest granted under this Agreement;

(f) The execution, delivery and performance of this Agreement will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, which are applicable to any Pledgor, or of the articles or certificate of incorporation, certificate of formation, bylaws or any other similar organizational documents of any Pledgor or any Pledge Entity or of any securities issued by any Pledgor or any Pledge Entity or subject to the obtaining of a waiver agreement from the holder of the Existing Liens of any mortgage, indenture, lease contract, or other agreement, instrument or undertaking to which such Pledgor or any Pledge Entity is a party or which is binding upon such Pledgor or any Pledge Entity or upon any of the assets of such Pledgor or any Pledge Entity, and subject to the Existing Liens will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of such Pledgor or any Pledge Entity, except as otherwise contemplated by this Agreement;

(g) The pledge, assignment and delivery of the Pledged Interests and the other Pledged Collateral pursuant to this Agreement creates a valid first lien on and perfected first priority security interest in such Pledged Interests and Pledged Collateral and the proceeds thereof in favor of the Collateral Agent, subject to the security interests reflected on Exhibit B. Until this Agreement is terminated pursuant to Section 11 hereof, each Pledgor covenants and agrees that it will defend, for the benefit of the Collateral Agent and each other Purchaser, the Collateral Agent's right, title and security interest subject to the Existing Liens in and to the Pledged Interests, the other Pledged Collateral and the proceeds thereof against the claims and demands of all other Persons; and

(h) Neither any Pledgor nor any Pledged Entity (i) will become a Person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079(2001), (ii) will engage in any dealings or transactions prohibited by Section 2 of such executive order, or (iii) will otherwise become a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other Office of Foreign Asset Control regulation or executive order.

4. Dividends, Distributions, Etc. If, prior to irrevocable repayment in full in cash of the Obligations, each Pledgor shall receive any certificate (including, without limitation, any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization, merger or consolidation), or any options or rights, whether as an addition to, in substitution for, or in exchange for any of the Pledged Interests or otherwise, such Pledgor agrees, in each case, to accept the same as the Collateral Agent's agent and to hold the same in trust for the Collateral Agent, and to deliver the same promptly (but in any event within five days) to the Collateral Agent in the exact form received, with the endorsement of such Pledgor when necessary and/or with appropriate undated assignments separate from certificates or stock powers duly executed in blank, to be held by the Collateral Agent subject to the terms hereof, as additional Pledged Collateral. Each Pledgor shall promptly deliver to the Collateral Agent (i) a Pledge Addendum with respect to such additional certificates, and (ii) any financing statements or amendments to financing statements as requested by the Collateral Agent. Each Pledgor hereby authorizes the Collateral Agent to attach each such Pledge Addendum to this Agreement. Except as provided in Section 5(b) below, all sums of money and property so paid or distributed in respect of the Pledged Interests which are received by a Pledgor shall, until paid or delivered to the Collateral Agent, be held by such Pledgor in trust as additional Pledged Collateral.

5. Voting Rights; Dividends; Certificates.

(a) So long as no Event of Default (as defined in the Notes) has occurred and is continuing, each Pledgor shall be entitled (subject to the other provisions hereof, including, without limitation, Section 8 below) to exercise its voting and other consensual rights with respect to the Pledged Interests and otherwise exercise the incidents of ownership thereof in any manner not inconsistent with this Agreement, the Purchase Agreements and/or any of the other Transaction Documents. Subject to the rights of the Existing Liens, as applicable, such Pledgor hereby grants to the Collateral Agent or its nominee, an irrevocable proxy to exercise all voting, corporate and limited liability company rights relating to the Pledged Interests in any instance, which proxy shall be effective, at the discretion of the Collateral Agent, upon the occurrence and during the continuance of an Event of Default. Upon the request of the Collateral Agent at any time, such Pledgor agrees to deliver to the Collateral Agent such further evidence of such irrevocable proxy or such further irrevocable proxies to vote the Pledged Interests as the Collateral Agent may request.

(b) So long as no Event of Default shall have occurred and be continuing, each Pledgor shall be entitled to receive cash dividends or other distributions made in respect of the Pledged Interests, to the extent permitted to be made pursuant to the terms of the Notes and the Purchase Agreements. Upon the occurrence and during the continuance of an Event of Default, in the event that any Pledgor, as record and beneficial owner of the Pledged Interests shall have received or shall have become entitled to receive, any cash dividends or other distributions in the ordinary course, such Pledgor shall deliver to the Collateral Agent, and the Collateral Agent shall be entitled to receive and retain, for the benefit of itself and the other Purchasers, all such cash or other distributions as additional security for the Obligations.

(c) Subject to any sale or other disposition by the Collateral Agent of the Pledged Interests, any other Pledged Collateral or other property pursuant to this Agreement, upon the indefeasible full payment in cash, satisfaction and termination of all of the Obligations and the termination of this Agreement pursuant to Section 11 hereof and of the liens and security interests hereby granted, the Pledged Interests, the other Pledged Collateral and any other property then held as part of the Pledged Collateral in accordance with the provisions of this Agreement shall be returned to the Pledgors or to such other Persons as shall be legally entitled thereto.

(d) Each Pledgor shall cause all Pledged Interests (other than the Pledged Interests consisting of limited liability company interests) to be certificated at all times while this Agreement is in effect.

6. Rights of Collateral Agent. The Collateral Agent shall not be liable for failure to collect or realize upon the Obligations or any collateral security or guaranty therefor, or any part thereof, or for any delay in so doing, nor shall the Collateral Agent be under any obligation to take any action whatsoever with regard thereto. Any or all of the Pledged Interests held by the Collateral Agent hereunder may, if an Event of Default has occurred and is continuing, without notice, be registered in the name of the Collateral Agent or its nominee, and the Collateral Agent or its nominee may thereafter without notice exercise all voting and corporate rights at any meeting with respect to any Pledge Entity and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Interests as if it were the absolute owner thereof, including, without limitation, the right to vote in favor of, and to exchange at its discretion any and all of the Pledged Interests upon the merger, consolidation, reorganization, recapitalization or other readjustment with respect to any Pledge Entity or upon the exercise by any Pledge Entity, the Pledgors or the Collateral Agent of any right, privilege or option pertaining to any of the Pledged Interests, and in connection therewith, to deposit and deliver any and all of the Pledged Interests with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Collateral Agent may reasonably determine, all without liability except to account for property actually received by the Collateral Agent, but the Collateral Agent shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

7. Remedies. Upon the occurrence and during the continuance of an Event of Default, the Collateral Agent may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party under the Uniform Commercial Code ("UCC") of the jurisdiction applicable to the affected Pledged Collateral from time-to-time. Without limiting the foregoing, the Collateral Agent may, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon any Pledgor or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived), upon the occurrence and during the continuance of an Event of Default forthwith collect, receive, appropriate and realize upon the Pledged Collateral or any part thereof, and/or may forthwith date and otherwise fill in the blanks on any assignments separate from certificates or stock powers or otherwise sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Collateral, or any part thereof, in one or more portions at one or more public or private sales or dispositions, at any exchange or broker's board or at any of the Collateral Agent's offices or elsewhere upon such terms and conditions as the Collateral Agent may deem advisable and at such prices as it may deem best, for any combination of cash and/or securities or other property or on credit or for future delivery without assumption of any credit risk, with the right to the Collateral Agent upon any such sale, public or private, to purchase the whole or any part of said Pledged Collateral so sold, free of any right or equity of redemption in any Pledgor, which right or equity is hereby expressly waived or released. The Collateral Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization, sale or disposition, after deducting all costs and expenses of every kind incurred therein or incidental to the safekeeping of any and all of the Pledged Collateral or in any way relating to the rights of the Collateral Agent hereunder, including reasonable attorneys' fees and legal expenses, to the payment, in whole or in part, of the Obligations, in such order as the Collateral Agent may elect. Each Pledgor shall remain liable for any deficiency remaining unpaid after such application. Only after so paying over such net proceeds and after the payment by the Collateral Agent of any other amount required by any provision of law, including, without limitation, Section 9-608 of the UCC, need the Collateral Agent account for the surplus, if any, to the Pledgors. Each Pledgor agrees that the Collateral Agent need not give more than ten (10) days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to any Pledgor if after default it has signed a statement renouncing or modifying any right to notification of sale or other intended disposition. Notwithstanding any provision in any shareholder's agreement or any applicable laws to the contrary, each Pledgor acknowledge and agrees that such Pledgor may pledge to the Collateral Agent all of such Pledgor's right, title and interest in all of the Pledged Entities, and upon foreclosure the successful bidder (which may include the Collateral Agent) will be deemed admitted as a member and/or shareholder, as applicable, of each Pledged Entity, and will automatically succeed to all of such Pledgor's right, title and interest, including without limitation, such Pledgor's limited liability company and equity interests, right to vote and participate in the management and business affairs of the Pledged Entities, right to a share of the profits and losses of the Pledged Entities and right to receive distributions from the Pledged Entities.

8. No Disposition, Etc. Until the irrevocable payment in full, satisfaction or expiration of the Obligations, each Pledgor agrees that it will not sell assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Interests or any other Pledged Collateral, nor will any Pledgor create, incur or permit to exist any Lien or other encumbrance with respect to any of the Pledged Interests or any other Pledged Collateral, or any interest therein, or any proceeds thereof, except for the Lien and security interest of the Collateral Agent provided for by this Agreement and the Security Agreement and Permitted Liens as defined in the Notes.

9. Sale of Pledged Interests.

(a) Each Pledgor recognizes that the Collateral Agent may be unable to effect a public sale or disposition (including, without limitation, any disposition in connection with a merger of a Pledge Entity) of any or all the Pledged Interests by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, but may be compelled to resort to one or more private sales or dispositions thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that any such private sale or disposition may result in prices and other terms (including the terms of any securities or other property received in connection therewith) less favorable to the seller than if such sale or disposition were a public sale or disposition and such Pledgor agrees that it is not commercially unreasonable for the Collateral Agent to engage in any such private sales or dispositions under such circumstances. The Collateral Agent shall be under no obligation to delay a sale or disposition of any of the Pledged Interests in order to permit such Pledgor or a Pledge Entity to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Pledgor or a Pledge Entity would agree to do so.

(b) Each Pledgor further agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such sales or dispositions of the Pledged Interests valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sales or dispositions, all at such Pledgor's expense; provided that such Pledgor shall not have any obligation to register the Pledged Interests as securities under the Securities Act or the applicable state securities laws solely by virtue of this Section 9(b). Each Pledgor further agrees that a breach of any of the covenants contained in Sections 4, 5(a), 5(b), 8, 9 and 24 will cause irreparable injury to the Collateral Agent and that the Collateral Agent has no adequate remedy at law in respect of such breach and, as a consequence, agrees, without limiting the right of the Collateral Agent to seek and obtain specific performance of other obligations of such Pledgor contained in this Agreement, that each and every covenant referenced above shall be specifically enforceable against such Pledgor, and such Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants.

(c) Each Pledgor further agrees to indemnify and hold harmless the Collateral Agent and each other Purchaser, their respective successors and assigns and all of their collective officers, directors, shareholders, members, managers, partners, employees, attorneys and agents, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, legal fees and expenses (in this paragraph collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise insofar as such Indemnified Liability (i) arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, prospectus or offering memorandum or in any preliminary prospectus or preliminary offering memorandum or in any amendment or supplement to any thereof or in any other writing prepared by such Pledgor in connection with the offer, sale or resale of all or any portion of the Pledged Collateral unless such untrue statement of material fact was provided by the Collateral Agent, in writing, specifically for inclusion therein, or (ii) arises out of or is based upon any omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, such indemnification to remain operative regardless of any investigation made by or on behalf of the Collateral Agent or any successor thereof, or any Person in control of any thereof. In connection with a public sale or other distribution, such Pledgor will provide customary indemnification to any underwriters, their successors and assigns, officers and directors and each Person who controls any such underwriter (within the meaning of the Securities Act). If and to the extent that the foregoing undertakings in this paragraph may be unenforceable for any reason, each Pledgor agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of each Pledgor under this paragraph (c) shall survive any termination of this Agreement.

(d) Each Pledgor further agrees not to exercise any and all rights of subrogation it may have against a Pledge Entity upon the sale or disposition of all or any portion of the Pledged Collateral by the Collateral Agent pursuant to the terms of this Agreement until the termination of this Agreement in accordance with Section 11 below.

10. No Waiver; Cumulative Remedies. The Collateral Agent shall not by any act, delay, omission or otherwise be deemed to have waived any of its remedies hereunder, and no waiver by the Collateral Agent shall be valid unless in writing and signed by the Collateral Agent, and then only to the extent therein set forth. A waiver by the Collateral Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent would otherwise have on any further occasion. No course of dealing between any Pledgor and the Collateral Agent or any other Purchaser, and no failure to exercise, nor any delay in exercising on the part of the Collateral Agent or any other Purchaser of, any right, power or privilege hereunder or under the other Transaction Documents shall impair such right or remedy or operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law or in the Purchase Agreements.

11. Termination. This Agreement and the Liens and security interests granted hereunder shall terminate and the Collateral Agent, at the Pledgors' sole reasonable cost and reasonable expense, shall immediately return any Pledged Interests or other Pledged Collateral then held by the Collateral Agent in accordance with the provisions of this Agreement to the Pledgors upon the full and complete performance and indefeasible satisfaction of all of the Obligations (including, without limitation, the indefeasible payment in full in cash of all such Obligations) (i) in respect of the Transaction Documents, and (ii) with respect to which claims have been asserted by the Collateral Agent and/or any other Purchaser.

12. Possession of Collateral. Beyond the exercise of reasonable care to assure the safe custody of the Pledged Interests in the physical possession of the Collateral Agent pursuant hereto, neither the Collateral Agent, nor any nominee of the Collateral Agent, shall have any duty or liability to collect any sums due in respect thereof or to protect, preserve or exercise any rights pertaining thereto (including any duty to ascertain or take action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to the Pledged Collateral and any duty to take any necessary steps to preserve rights against any parties with respect to the Pledged Collateral), and shall be relieved of all responsibility for the Pledged Collateral upon surrendering them to the Pledgors. Each Pledgor assumes the responsibility for being and keeping itself informed of the financial condition of a Pledge Entity and of all other circumstances bearing upon the risk of non-payment of the Obligations, and the Collateral Agent shall have no duty to advise any Pledgor of information known to the Collateral Agent regarding such condition or any such circumstance. The Collateral Agent shall have no duty to inquire into the powers of a Pledge Entity or its officers, directors, managers, members, partners or agents thereof acting or purporting to act on its behalf.

13. Taxes and Expenses. Each Pledgor will pay to the Collateral Agent within the Applicable Time Frame (as hereafter defined) (a) any taxes (excluding income taxes, franchise taxes or other taxes levied on gross earnings, profits or the like of the Collateral Agent) payable or ruled payable by any Governmental Authority (as defined in the Security Agreement) in respect of this Agreement, together with interest and penalties, if any, and (b) all expenses, including the fees and expenses of counsel for the Collateral Agent and of any experts or agents that the Collateral Agent may incur in connection with (i) the administration, modification or amendment of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure of any Pledgor to perform or observe any of the provisions hereof. For purposes hereof, the term "Applicable Time Frame" means the earlier of (x) ten (10) days after the Collateral Agent's written demand for such payment and (y) the date set forth in the Collateral Agent's written demand for such payment if such payment is required to be made by the Collateral Agent prior to the ten (10) day period referred to in the foregoing clause (x).

14. The Collateral Agent Appointed Attorney-In-Fact Each Pledgor hereby irrevocably appoints the Collateral Agent as such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time in the Collateral Agent's discretion, to take any action and to execute any instrument that the Collateral Agent deems reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to such Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same, when and to the extent permitted by this Agreement; provided that the power of attorney granted hereunder shall only be exercised by the Collateral Agent after the occurrence and during the continuance of an Event of Default.

15. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing by registered or certified mail a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof ten (10) business days after the mailing thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Notwithstanding the foregoing, the Collateral Agent may enforce its rights and remedies in any other jurisdiction applicable to the Pledged Collateral. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT TRANSACTION CONTEMPLATED HEREBY.

16. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile, .pdf or similar electronically transmitted signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original signature.

17. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

18. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

19. ENTIRE AGREEMENT; AMENDMENTS. THIS AGREEMENT, TOGETHER WITH THE OTHER TRANSACTION DOCUM SUPERSEDES ALL OTHER PRIOR ORAL OR WRITTEN AGREEMENTS BETWEEN THE PLEDGORS, THE COLLATERAL AGE AFFILIATES AND PERSONS ACTING ON THEIR BEHALF WITH RESPECT TO THE MATTERS DISCUSSED HEREIN, A AGREEMENT, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS AND THE OTHER INSTRUMENTS REFERENCE AND THEREIN, CONTAIN THE ENTIRE UNDERSTANDING OF THE PARTIES WITH RESPECT TO THE MATTERS COVERED HE THEREIN AND, EXCEPT AS SPECIFICALLY SET FORTH HEREIN OR THEREIN, NEITHER THE COLLATERAL AGENT NOR AN PLEDGORS MAKES ANY REPRESENTATION, WARRANTY, COVENANT OR UNDERTAKING WITH RESPECT TO SUCH MATTER THE DATE OF THIS AGREEMENT, THERE ARE NO UNWRITTEN AGREEMENT BETWEEN THE PARTIES WITH RESPECT MATTERS DISCUSSED HEREIN. EXCEPT AS SET FORTH IN SECTION 2(A) HEREOF, NO PROVISION OF THIS AGREEMENT AMENDED, MODIFIED OR SUPPLEMENTED OTHER THAN BY AN INSTRUMENT IN WRITING SIGNED BY THE PLEDGORS PURCHASERS (INCLUDING THE COLLATERAL AGENT) HOLDING A MAJORITY OF THE OUTSTANDING PRINCIPAL OF THE NOTES.

20. Notices. All notices, approvals, requests, demands and other communications hereunder shall be delivered or made in the manner set forth in, and shall be effective in accordance with the terms of, the Purchase Agreements, in the case of communications to the Collateral Agent, directed to the notice address set forth in the Security Agreement.

21. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any Purchasers of the Notes. Each Pledgor shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Collateral Agent. The Collateral Agent may assign its rights hereunder without the consent of the Pledgors, or any of them, or any Purchaser (including any Person who becomes a Purchaser after the date hereof), in which event such assignee shall be deemed to be the Collateral Agent hereunder with respect to such assigned rights.

22. No Third Party Beneficiaries This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

23. Survival. All representations, warranties, covenants and agreements of the Pledgors and the Collateral Agent shall survive the execution and delivery of this Agreement.

24. Further Assurances. Each Pledgor agrees that it will, at any time and from time to time upon the written request of the Collateral Agent, execute and deliver all assignments separate from certificates or stock powers, financing statements and such further documents and do such further acts and things as the Collateral Agent may reasonably request consistent with the provisions hereof in order to carry out the intent and accomplish the purpose of this Agreement and the consummation of the transactions contemplated hereby.

25. No Strict Construction The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

26. Collateral Agent Authorized. Each Pledgor hereby authorizes the Collateral Agent to file one or more financing or continuation statements and amendments thereto (or similar documents required by any laws of any applicable jurisdiction) relating to all or any part of the Pledged Interests or other Pledged Collateral without the signature of such Pledgor.

27. Collateral Agent Acknowledgement. Each Pledgor acknowledges receipt of an executed copy of this Agreement. Each Pledgor waives the right to receive any amount that it may now or hereafter be entitled to receive (whether by way of damages, fine, penalty, or otherwise) by reason of the failure of the Collateral Agent to deliver to any Pledgor a copy of any financing statement or any statement issued by any registry that confirms registration of a financing statement relating to this Agreement.

28. Collateral Agent. The terms and provisions of the Purchase Agreements which set forth the appointment of Rose Capital Fund I, LP as Collateral Agent and the terms and provisions of the Security Agreement which set forth the indemnifications to which the Collateral Agent is entitled are hereby incorporated by reference herein as if fully set forth herein.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed and delivered by their duly authorized office on the date first above written.

PLEDGOR:

HELIX TCS, INC.

By: _____
Name:
Title:

HELIX TCS, LLC

By: _____
Name:
Title:

ENGENI LLC

By: _____
Name:
Title:

COLLATERAL AGENT:

ROSE CAPITAL FUND I, LP
By: Rose Capital Fund I GP, LLC
Its: General Partner

By: Rose Management Group LLC
Its: Manager

By: _____
Name: Jonathan Rosenthal
Title: Member

By: _____
Name: Andrew Schweibold
Title: Member

ACKNOWLEDGEMENT

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing Pledge Agreement, (ii) waives any rights or requirement at any time hereafter to receive a copy of such Pledge Agreement in connection with the registration of any Pledged Interests (as defined therein) in the name of the Collateral Agent or its nominee or the exercise of voting rights by the Collateral Agent and (iii) agrees promptly to note on its books and records the grant of the security interest in the stock or other equity interests of the undersigned as provided in such Pledge Agreement.

Dated: March 1, 2019

GUARANTORS:

Helix TCS, LLC

By: _____
Name:
Title:

Engeni LLC

By: _____
Name:
Title:

Security Consultants Group, LLC

By: _____
Name:
Title:

Engeni S.A.

By: _____
Name:
Title:

Boss Security Solutions, Inc.

By: _____
Name:
Title:

Security Grade Protective Services, Ltd.

By: _____
Name:
Title:

Bio-Tech Medical Software, Inc.

By: _____
Name:
Title:

EXHIBIT A
TO PLEDGE AGREEMENT

Description of Pledged Interests or Units

Pledgor	Name of Pledged Entity	Class	Stock or Unit Certificate No.	Percentage of Units Held by Pledgor
Helix TCS, Inc.	Helix TCS LLC	N/A	N/A	100%
Helix TCS, Inc.	ENGENI LLC	N/A	N/A	100%
Helix TCS, Inc.	BIO-TECH MEDICAL SOFTWARE, INC.	Common	N/A	100%
Helix TCS, Inc.	BOSS SECURITY SOLUTIONS INC.	Common	N/A	100%
Helix TCS, Inc.	SECURITY GRADE PROTECTIVE SERVICES LTD	Class A and Class B	N/A	100%
HELIX TCS, LLC	SECURITY CONSULTANTS GROUP LLC	N/A	N/A	100%
ENGENI LLC	ENGENI S.A. (ARGENTINA)	Common	N/A	99%
BIO-TECH MEDICAL SOFTWARE, INC.	BIOTRACK CONSULTING (NO ACTIVITY)	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	BIOTRACKTHC MICHIGAN (NO ACTIVITY)	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	BIOTRACK PR (PUERTO RICO)	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	BT UCS	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	IKUSH (NO ACTIVITY)	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	KUSHFAIR (NO ACTIVITY)	Common	N/A	100%
BIO-TECH MEDICAL SOFTWARE, INC.	KUSHFAIR WA (NO ACTIVITY)	Common	N/A	100%

EXHIBIT B
TO PLEDGE AGREEMENT

Security Interests

Deline Associates, Inc.; Greenwood Village landlord, has an express contract lien on and security interest in and to all furniture, equipment, computers programs, supplies, and materials owned by Security Consultants Group, LLC and located in the office. They also have a lien on all insurance proceeds whic may accrue to Security Consultants Group, LLC by reason of damage to or destruction of such property.

All landlords for rented office premises have standard claims on any insurance proceeds that would result from damage or detsruction of such property.

CIT Finance as Lessor to 2 Ricoh copiers leased to the Bio-Tech Medical Software Inc. entity

VAP Funding Master Note Trust (Illinois) was assigned the receviables from the state of Illinois in April 2016, at a 10% discount rate. Less than $20,00 remains due from Illinois.

Automated Business Products as Lessor of 1 Okidata 4242 All-in-One machine to Security Consultants Group LLC

Ford Motor Credit Co. as lender on the Ford Cargo Van Vin NM0LE7E72G1258079

Ford Motor Credit Co. as lender on the Ford Cargo Van

Larry H Miller Nissan Southwest as lender on the Nissan Cargo Van Vin 3N6CM0KN1GK701639

Larry H Miller Nissan Southwest as lender on the Nissan Cargo Van Vin 3N6CM0KN7GK701371

EXHIBIT C
TO PLEDGE AGREEMENT

Addendum to Pledge Agreement

The undersigned (the "New Pledgor"), being a Debtor pursuant to that certain Security Agreement dated as of March 1, 2019 (as amended, restated supplemented or otherwise modified from time to time, the "**Pledge Agreement**") in favor of the holders of those certain Notes (as defined in the Pledge Agreement), with Rose Capital Fund I, LP, a Delaware limited partnership, acting as Collateral Agent (as defined in the Security Agreement), by executing this Addendum to that certain Pledge Agreement dated as of March 1, 2019, by and among the Debtors party thereto and the Collateral Agent, hereby acknowledges that it has acquired and legally and beneficially owns all of the issued and outstanding shares of capital stock of _____, a _____ ("**Pledged Entity**") described below (the "**Shares**"). The New Pledgor hereby agrees and acknowledges that the Shares shall be deemed Pledged Interests pursuant to the Pledge Agreement. The New Pledgor hereby represents and warrants to the Collateral Agent that (i) all of the capital stock/type of interest of the Pledged Entity now owned by the New Pledgor is presently represented by the certificates listed below, which certificates, with undated assignments separate from certificate or stock powers duly executed in blank by the New Pledgor, are being delivered to the Collateral Agent, simultaneously herewith (or have been previously delivered to the Collateral Agent), and (ii) after giving effect to this addendum, the representations and warranties set forth in Section 3 of the Pledge Agreement are true, complete and correct as of the date hereof.

Pledged Interests

Name of the Pledged Entity	Class of Equity Interest	Certificate No.	Percentage of Units Held by Pledgor

IN WITNESS WHEREOF, the New Pledgor has executed this Addendum this _____ day of _____.

[NAME OF NEW PLEDGOR]

By:
Name:
Title:

Exhibit 10.42

AGREEMENT AND PLAN OF MERGER

by and among

HELIX TCS, INC.,

HELIX ACQUISITION SUB, INC.,

GREEN TREE INTERNATIONAL, INC.,

And

STEVE JANJIC, AS THE SECURITYHOLDER REPRESENTATIVE

Dated as of February 5, 2019

Table of Contents

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "**Agreement**") is entered into as of February 5, 2019 (the "**Effective Date**") by and among Helix TCS, Inc., a Delaware corporation ("**Parent**"), Helix Acquisition Sub, Inc., a company organized under the laws of the State of Colorado and a wholly owned subsidiary of Parent ("**Merger Sub**"), Green Tree International, Inc., a company organized under the laws of the State of Colorado (the "**Company**") and, subject to Section 11.01, Steve Janjic as the "**Securityholder Representative**." Each of Parent, Merger Sub, the Company, and the Securityholder Representative are referred to herein as a "**Party**" and together as the "**Parties**." Certain capitalized terms used in this Agreement shall have the respective meanings ascribed thereto in Article I.

RECITALS

WHEREAS, the Parties wish to effect a business combination through a merger of Merger Sub with and into the Company (the "**Merger**"), on the terms and subject to the conditions set forth in this Agreement, with the Company continuing as the surviving corporation in the Merger;

WHEREAS, the Board of Directors of the Company (the "**Company Board**") has duly approved, adopted and declared advisable, this Agreement, the Merger, the Ancillary Agreements and the other transactions contemplated hereby and thereby (the "**Transactions**"), and recommended that the Company Shareholders approve this Agreement, the Merger, the Ancillary Agreements and the Transactions;

WHEREAS, the Board of Directors of Merger Sub and Parent, as the sole shareholder of Merger Sub, have duly approved and declared advisable this Agreement, the Merger, the Ancillary Agreements and Transactions, and, in connection with the execution and delivery of this Agreement, Parent has adopted and approved this Agreement, the Merger, the Ancillary Agreements and the Transactions; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe certain conditions to the Merger as specified herein;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I. DEFINITIONS AND INTERPRETATION

Section 1.01 **Certain Definitions.** For all purposes of and under this Agreement, the following capitalized terms shall have the following respective meanings:

(a) "**Acquisition Proposal**" shall mean any inquiry, offer or proposal, whether in writing or otherwise (other than an offer or proposal by Parent or Merger Sub), made by a Person or group (as defined in or under Section 13(d) of the Exchange Act) relating to, or that is reasonably likely to lead to, an Acquisition Transaction.

(b) "**Action**" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

(c) "**Acquisition Transaction**" shall mean any transaction or series of related transactions relating to (a) any direct or indirect acquisition, purchase, sale, disposition, license, lease, exchange or transfer of 50% or more of the assets of the Company and the Company Subsidiaries, taken as a whole (measured based on either book value or fair market value), or to which 50% or more of the Company's consolidated revenues or earnings are attributable, (b) any direct or indirect acquisition, sale or purchase (including by merger, consolidation or otherwise) of 50% or more of any class of equity or voting securities of the Company, (c) any tender offer or exchange offer that if consummated would result in any Person (other than Parent or Merger Sub) beneficially owning 50% or more of any class of equity or voting securities of the Company or any of the Company Subsidiaries or of any resulting, surviving or successor company, (d) any merger, share exchange, consolidation, business combination, recapitalization, reorganization, joint venture, liquidation, dissolution or similar transaction involving the Company, (e) any combination of the foregoing, or (f) any other transaction the consummation of which would reasonably be expected to interfere with, materially delay or prevent the consummation of the Merger, in each case other than the Merger.

(d) "**Affiliate**" shall mean, as to any Person, any other Person that, directly or indirectly, through one of more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of the immediately preceding sentence, the term "**control**" (including, with correlative meanings, the terms "**controlling**," "**controlled by**" and "**under common control with**"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

(e) "**Ancillary Agreements**" shall mean the Ancillary Documents and other agreements and instruments provided for, contemplated herein or executed and delivered in connection with this Agreement.

(f) "**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which the banks in the Denver, Colorado are authorized by Law or executive order to be closed.

(g) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(h) "**Common Exchange Ratio**" shall mean the quotient of (a) the number of Parent Shares equal to the Merger Consideration divided by (b) the number of shares of Company Common Stock outstanding immediately prior to the Effective Time on a Fully-Diluted Basis.

(i) "**Company Balance Sheet**" shall mean the audited, consolidated balance sheet of the Company and the Company Subsidiaries as of December 31, 2018.

(j) "**Company Balance Sheet Date**" shall mean December 31, 2018.

(k) "**Company Common Stock**" shall mean the Company's common stock, which has no designated par value per share.

(l) "**Company Intellectual Property**" shall mean any Intellectual Property that has been used, is used, or is held for use in the business of the Company or any of the Company Subsidiaries as previously conducted, as currently conducted or as currently proposed to be conducted.

(m) "**Company Registered Intellectual Property**" shall mean all of the Registered Intellectual Property (i) owned by, under obligation of assignment to, or filed in the name of the Company or any of the Company Subsidiaries or (ii) owned by, under obligation of assignment to, or filed in the name of any Company Securityholder or any of its Affiliates (other than the Company or any of the Company Subsidiaries) and included in the Company Intellectual Property.

(n) "**Company Material Adverse Effect**" shall mean a Material Adverse Effect on the Company and its Subsidiaries taken as a whole.

(o) "**Company Options**" shall mean any options to purchase Company Shares outstanding immediately prior to the Effective Time.

(p) "**Company Securities**" shall mean, collectively, Company Shares, Company Options and Company Warrants.

(q) "**Company Securityholders**" shall mean holders of Company Securities immediately prior to the Effective Time.

(r) "**Company Shareholders**" shall mean holders of Company Shares.

(s) "**Company Shares**" shall mean shares of Company's common stock, par value $0.001 per share.

(t) "**Company Software**" shall mean all Software used in or necessary for the conduct of the business of the Company or any of the Company Subsidiaries and owned or held for use by the Company or any of the Company Subsidiaries.

(u) "**Company Subsidiaries**" shall mean any Subsidiary of the Company.

(v) "**Company Technology**" shall mean all Technology used in or necessary for the conduct of the business of the Company or any of the Company Subsidiaries and owned or held for use by the Company or any of the Company Subsidiaries.

(w) "**Company Warrants**" shall mean any warrants to purchase Company Shares which are outstanding immediately prior to the Effective Time.

(x) "**Contingent Consideration**" means any of the payments that may be made by the Company pursuant to Section 2.13.

(y) "**Contract**" shall mean any written or oral contract, subcontract, agreement, commitment, note, bond, mortgage, indenture, lease, license, sublicense or other legally binding instrument or arrangement.

(z) "**Enforceability Exceptions**" means (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar Laws of general application affecting enforcement of creditors' rights generally and (b) general principles of equity.

(aa) "**ERISA**" shall mean the United States Employee Retirement Income Security Act of 1974, as amended.

(bb) "**Exchange Act**" shall mean the United States Securities Exchange Act of 1934, as amended.

(cc) "**Expenses**" shall mean, with respect to a Person, all fees and expenses, including all out-of-pocket expenses (including all fees and expenses of legal counsel, accountants, investment bankers, experts and consultants to a Party hereto and its Affiliates), incurred by or on behalf of such Person in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement, the Ancillary Agreements, and the Transactions, including any bonus or other payments to employees paid in connection with the Transactions and the preparation, printing, filing and mailing, as the case may be, of the Information Statement and other required filings and any amendments or supplements thereto, and the solicitation of the Company Shareholder Approval and all other matters related to the Transactions.

(dd) "**Fully-Diluted Basis**" shall mean, with respect to the Person in question, the aggregate number of outstanding shares of common stock of such Person assuming (a) the conversion into common stock of all outstanding securities of such Person convertible or exchangeable, directly or indirectly, for or into common stock and (b) the exercise (whether or not then exercisable) of all options, warrants and other rights entitling any holder thereof to purchase, acquire or receive common stock of such Person or securities convertible or exchangeable, directly or indirectly, for common stock of such Person.

(ee) "**Fundamental Representations**" shall mean the representations and warranties of the Company contained in (a) Section 3.01 (*Incorporation, Good Standing and Qualification*), (b) Section 3.02 (*Company Charter Documents*), (c) Section 3.03 (*Company Power; Enforceability*), (d) Section 3.04 (*Board and Shareholder Actions*), (e) Section 3.07 (*Company Capitalization*), and (f) Section 3.08 (*Company Subsidiaries*).

(ff) "**GAAP**" shall mean generally accepted accounting principles, as applied in the United States of America.

(gg) "**Governmental Authority**" shall mean any government, any governmental, quasi- governmental or regulatory entity or body, department, commission, board, agency or instrumentality, and any arbitrator, court, tribunal or judicial body of competent jurisdiction, any stock exchange or similar self-regulatory organization, or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature, in each case whether federal, state, county, provincial, and whether local or foreign.

(hh) "**Governmental Authorization**" means any (a) consent, license, registration, or permit issued, granted, given, or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law; or (b) right under any Contract with any Governmental Authority.

(ii) "**Holdback Shares**" shall mean a number of unregistered Parent Shares equal to thirty percent (30%) of the Closing Shares, which shall be comprised of all of the Parent Shares designated to be issued to Steve Janjic and such additional Parent Shares as to be issued to Adam Martin as required to total thirty percent (30%) of the total Closing Shares.

(jj) "**Indebtedness**" shall mean, with respect to a Person, without duplication, (a) all indebtedness whether or not contingent, for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) all indebtedness for the deferred purchase price of property or services (other than personal property, including inventory and services purchased, trade payables, other expense accruals and deferred compensation items arising in the Ordinary Course of Business), (c) all obligations evidenced by notes, bonds, debentures or other similar instruments (other than performance, surety and appeal bonds arising in the Ordinary Course of Business in respect of which such Person's liability remains contingent), (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all reimbursement, payment or similar obligations, contingent or otherwise, under acceptance, letter of credit or similar facilities, (g) all monetary obligations under interest rate swaps, currency swaps, collars, caps, hedging and other derivative and similar arrangements (valued at the termination date thereof), including all obligations or unrealized losses pursuant to hedging or foreign exchange arrangements or similar transactions, and (h) any liability of others described in clauses (a) through (g) above which such Person has guaranteed or that is otherwise such Person's legal liability and including in clauses (a) through (g) above any accrued and unpaid interest, penalties or premiums thereon or other fees and expenses paid or required to be paid to satisfy such Indebtedness.

(kk) "**Intellectual Property**" shall mean all intellectual property and other proprietary rights of any kind or nature, in any jurisdiction worldwide, whether registered or unregistered, whether protected, created or arising under any Law, including the following: (a) patents and applications therefor (including provisional applications and design patents and applications) and all reissues, divisions, divisionals, renewals, extensions, counterparts, continuations and continuations-in-part thereof, and all patents, applications, documents and filings claiming priority thereto or serving as a basis for priority thereof ("**Patents**"), (b) trademarks, service marks, trade names, service names, brand names, trade dress rights, logos, taglines slogans, Internet domain names, web addresses, corporate names and other indicia of origin, together with the goodwill associated with any of the foregoing, and all applications, registrations, extensions and renewals thereof, (c) all works of authorship, mask works and any and all other copyrights and copyrightable works, and all applications, registrations, extensions, reversions and renewals thereof, (d) information, know-how, inventions, discoveries, compositions, formulations, formulas, practices, procedures, processes, algorithms, methods, knowledge, trade secrets, technology, techniques, designs, drawings, tools, correspondence, customer lists, customer contact information, customer licensing and purchasing histories, manufacturing information, business plans and product roadmaps, apparatuses, results, strategies, regulatory documentation and submissions, and information pertaining to, or made in association with, filings with any Governmental Authority or patent office, data, databases, aggregations of data, compilations of data, data collections and data sets, (e) Software, (f) moral rights, rights of publicity, industrial designs, and industrial property rights, (g) the right to sue for past, present and future infringement of the foregoing, including licenses, royalties, income, payments, claims, damages (including attorneys' fees and expert fees) and proceeds of suit and (h) derivatives, improvements, modifications, enhancements, revisions and releases relating to any of the foregoing.

(ll) "**IRS**" shall mean the United States Internal Revenue Service or any successor thereto.

(mm) "**Key Employee**" shall mean each of Steve Janjic, Richard Schaeffer, Michael Herron, Adam Martin and Lisa Hopkins.

(nn) "**Knowledge of the Company**", with respect to any matter in question, shall mean the actual knowledge of any director or Key Employee of the Company after reasonable inquiry with respect to the issues which are in such Key Employee's fields of expertise or responsibilities.

(oo) "**Knowledge of Parent**", with respect to any matter in question, shall mean the actual knowledge of any director or executive officer of Parent after reasonable inquiry with respect to the issues which are in such director's or executive officer's fields of expertise or responsibilities.

(pp) "**Law**" shall mean any and all applicable federal, state, local, provincial, municipal, foreign or other law, statute, treaty, constitution, principle of common law, ordinance, code, rule, regulation, Order or other requirement of any kind issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

(qq) "**Legal Proceeding**" shall mean any lawsuit, claim, complaint, investigation, petition, demand, subpoena, hearing, audit, warning letter, litigation, arbitration or other similarly formal proceeding or request for information (in each case, whether civil, criminal or administrative and whether at law or in equity), brought by or pending before any Governmental Authority.

(rr) "**Liabilities**" shall mean, with respect to a Person, any direct or indirect liability, obligation, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, responsibility or commitment of any kind including, without limitation, debts, commissions, duties, fees, salaries, performance or delivery penalties, warranty liabilities and other liabilities and obligations (whether pecuniary or not, including obligations to perform or forebear from performing acts or services), fines or penalties of such Person whether known or unknown, asserted or unasserted, determined, determinable or otherwise, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, incurred or consequential, due or to become due, matured, unmatured or otherwise and whether or not required to be recorded or reflected on a balance sheet prepared in accordance with GAAP.

(ss) "**Lien**" shall mean any lien, mortgage, security interest, Tax lien, attachment, levy, charge, preference, claim, prior claim, hypothec, assignment, restriction, imposition, pledge, easement, covenant, encroachment, warrant, lease, sublease, license, sublicense, title defect, right to possession, priority or other security agreement, option, warrant, attachment, right of first offer or refusal, transfer restriction, preemption right, conversion right, put right, call right, conditional sale, encumbrance, conditional sale or title retention arrangement, or any other interest in, restriction on transfer of or preferential arrangement with respect to property, securities or assets (or the income or profits therefrom) having substantially the same economic effect, whether consensual or nonconsensual and whether arising by agreement or under any Law or otherwise.

(tt) "**Material Adverse Effect**" shall mean any change, effect, circumstance, event or development, (each a "**Change**", and collectively, "**Changes**"), individually or in the aggregate, and regardless of whether or not such Change constitutes a breach of the representations or warranties made by the applicable Party in this Agreement, that has had, is, or is reasonably likely to have, a material adverse effect on (a) the financial condition, properties, assets (including intangible assets), liabilities, business, capitalization, operations, or results of operations of such applicable Party and its Subsidiaries, taken as a whole, or (b) the ability of such Party to timely consummate the Merger or to perform its obligations under this Agreement and the Ancillary Agreements; *provided, however,* no Change (by itself or when aggregated or taken together with any and all other Changes) to the extent resulting from or arising out of any of the following shall be deemed to be or constitute a "Material Adverse Effect": (i) general economic conditions (or changes in such conditions) in the United States of America, or conditions in the global economy generally; (ii) conditions (or changes in such conditions) in the securities markets, capital markets, credit markets, currency markets or other financial markets in the United States of America or elsewhere in the world where the applicable Party and its Subsidiaries operate; (iii) general conditions (or changes in such conditions) affecting the industries in which the applicable Party and its Subsidiaries conduct business; (iv) changes after the Effective Date in Law or other legal or regulatory conditions (or the authoritative interpretation thereof) or changes after the Effective Date in GAAP or other accounting standards applicable to the Party or its Subsidiaries (or the authoritative interpretation thereof); (v) any act of terrorism, war (whether declared or otherwise, and including the worsening or escalation of any pre-existing conflict), national or international calamity, natural disaster and other force majeure events in the United States of America or any other country or region in the world where the Party or its Subsidiaries has operations (but excluding damage to the assets or properties of the Party or its Subsidiaries); (vi) any action or omission required by Law; (vii) any action or omission at the request or with the written consent of all other Parties; (viii) any failure, in and of itself, by the applicable Party to meet internal projections or forecasts or published revenue or earnings predictions (but in each case excluding any of the underlying reasons for, factors contributing to, or results of, any such changes, which shall constitute and/or be taken into consideration in the determination of "Material Adverse Effect"); or (ix) resulting from, arising out of or otherwise related to the public announcement or consummation (or anticipated consummation) of the Merger (including the identities of Parent and Merger Sub, or of any action required by the terms of this Agreement or otherwise with the consent or agreement of Parent or Merger Sub); unless any such Change described in clauses (i) through (ix) disproportionately affects the applicable Party and its Subsidiaries taken as a whole, as compared to other companies operating in the same industry as the applicable Party.

(uu) "**Merger Consideration**" shall mean a number of unregistered Parent Shares (whether issued or reserved for issuance) equal to (a) $15,000,000 divided by (b) the Parent Share Price (the "**Closing Shares**") plus the Contingent Consideration.

(vv) "**Open Source Materials**" means any Software that is licensed pursuant to: (a) any license that is, or is substantially similar to a license approved by the Open Source Initiative and listed at http://www.opensource.org/licenses, which licenses include all versions of the Apache License, GNU General Public License (GPL), the GN Lesser General Public License (LGPL), the GNU Affero GPL, the MIT license, the Eclipse Public License, the Common Public License, the CDDL, the Mozilla Public License (MPL), the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), and the Sun Industry Standards License (SISL), (b) any license under which Software is distributed or licensed as "free software," "open source software," or under similar terms, or (c) any license that requires or that conditions any rights granted in such license upon (i) the disclosure, distribution or licensing of any other Software (other than such item of Software in its unmodified form), (ii) a requirement that any disclosure, distribution or licensing of any other Software (other than such item of software in its unmodified form) be at no charge, (iii) a requirement that any other licensee of the Software be permitted to modify, make derivative works of, or reverse-engineer (other than as prohibited under Law) any such other Software, or (iv) a requirement that such other Software be redistributable by other licensees, in each case ((a), (b), and (b)) whether or not source code is available or included in such license.

(ww) "**Order**" shall mean any order, judgment, award, decision, decree, injunction, ruling, writ or assessment of any Governmental Authority (whether temporary, preliminary or permanent) that is binding on any Person or its property under applicable Law.

(xx) "**Ordinary Course of Business**" means an action which is taken in the ordinary course of the normal day-to-day operations of the Person taking such action consistent with the past practices of such Person, is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority) and is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

(yy) "**Parent Board**" shall mean the Board of Directors of Parent.

(zz) "**Parent Material Adverse Effect**" shall mean a Material Adverse Effect on Parent and its Subsidiaries taken as a whole.

(aaa) "**Parent Share Price**" shall mean the average closing price of Parent Shares quoted on the website of OTC Markets Group over the forty-five (45) trading day period ending three (3) trading days prior to the Closing Date.

(bbb) "**Parent Shares**" shall mean shares of Parent's common stock, par value $0.001 per share.

(ccc) "**Permitted Liens**" shall mean any of the following: (a) Liens for Taxes either (i) not yet due and payable or (b) that are being contested in good faith by appropriate proceedings, are set forth in Section 3.10 of the Company Schedule of Exceptions, and for which appropriate reserves have been established on the consolidated financial statements of the Company and the Company Subsidiaries in accordance with GAAP as adjusted in the Ordinary Course of Business through the Effective Time; (b) mechanics, carriers', workmen's, warehouseman's, repairmen's, materialmen's or other Liens that are not yet due or that are being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established on the consolidated financial statements of the Company and the Company Subsidiaries in accordance with GAAP as adjusted in the Ordinary Course of Business through the Effective Time; (c) pledges or deposits to secure obligations under workers' compensation Laws or similar legislation or to secure public or statutory obligations; and (d) such imperfections in title and easements and encumbrances, if any, as are not substantial in character, amount or extent and do not materially impair the business operations of the Company or its Subsidiaries.

(ddd) "**Person**" shall mean any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Authority.

(eee) "**Post-Closing Tax Period**" means any Tax Period or portion thereof beginning on or after the Closing Date, including the portion of any Straddle Period beginning the day after the Closing Date.

(fff) "**Post-Closing Tax**" means any Tax for a Post-Closing Tax Period.

"**Pre-Closing Tax Period**" means any Tax Period or portion thereof ending on or before the Closing Date, including the portion of any Straddle Period ending on the Closing Date.

(ggg) "**Pre-Closing Tax**" means any Tax for a Pre-Closing Tax Period.

(hhh) "**Pro Rata Share**" shall mean, with respect to a Company Shareholder and expressed as a percentage, the quotient of (a) the aggregate number of Parent Shares such Company Shareholder is deemed to receive by virtue of the Merger and this Agreement in respect of such Company Shareholder's Company Shares outstanding immediately prior to the Effective Time divided by (b) the aggregate number of Parent Shares that all Company Shareholders are deemed to receive by virtue of the Merger and this Agreement in respect of all Company Shareholders' Company Shares outstanding immediately prior to the Effective Time. For the avoidance of doubt, "Pro Rata Share" excludes Company Options and Company Warrants that are outstanding and unexercised as of the Effective Time or any Parent Shares issuable upon exercise of such Company Warrants or Company Options after the Effective Time following conversion into options or warrants to purchase Parent Shares, as applicable, pursuant to this Agreement.

(iii) "**Product**" means Technology and services that (a) are currently sold, licensed, sublicensed, published, offered for sale or otherwise offered, provided, distributed, made available, or commercialized by or for the Company or any of its Affiliates (including by the way of "Software as a service" offerings), on a hosted basis, or otherwise or (b) are being developed by or for the Company or any of its Affiliates to any other Person.

(jjj) "**Registered Intellectual Property**" means all United States, international and foreign: (a) Patents; (b) registered trademarks, service marks applications to register trademarks, applications to register service marks, intent-to-use applications, or other registrations or applications related to trademarks; (c) registered copyrights and applications for copyright registration; (d) domain name registrations and Internet number assignments, social network application names and application IDs, usernames, user IDs and identification numbers; and (e) any other Intellectual Property that is the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by any Governmental Authority.

(kkk) "**Representative**" shall mean, with respect to any Person, any direct or indirect Affiliate of such Person, or any officer, director, manager, employee, investment banker, attorney or other authorized agent, advisor or representative of such Person or any direct or indirect Affiliate of such Person.

(lll) "**SEC**" shall mean the United States Securities and Exchange Commission or any successor thereto.

(mmm)"**Securities Act**" shall mean the United States Securities Act of 1933, as amended.

(nnn) "**Securityholder Representative**" shall mean and refer to Steve Janjic or any replacement thereof as set forth in Section 11.01.

(ooo) "**Shrink-Wrap License**" means a generally and commercially available license, having standardized terms, granting end users the right to use generally and commercially available off-the-shelf Software available for a cost of not more than $5,000, for a fully-paid up license for a single user or work station (or $20,000 in the aggregate for all users and work stations) and that is not material to the business of the Company or any Company Subsidiary or their conduct.

(ppp) "**Software**" shall mean computer programs, including any and all software implementations of algorithms, models and methodologies whether in source code, object code or other form, databases and compilations, including any and all data and collections of data, descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing and all documentation, including user manuals and training materials related to any of the foregoing.

(qqq) "**Special Representations**" shall mean the representations and warranties of the Company contained in (a) Section 3.10 (*No Undisclosed Liabilities*), (b) Section 3.15 (*Intellectual Property*), (c) Section 3.18 (*Privacy and Data Protection*), and (d) Section 3.20 (*Employee Plans*).

(rrr) "**Straddle Period**" means any Tax Period ending after and including the Closing Date.

(sss) "**Subsidiary**" of any Person shall mean (a) a corporation more than fifty percent (50%) of the combined voting power of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one of more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries thereof, (b) a partnership of which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the general partner and has the power to direct the policies, management and affairs of such partnership, (c) a limited liability company of which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the managing member and has the power to direct the policies, management and affairs of such company, or (d) any other Person (other than a corporation, partnership or limited liability company) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof, including by way of controlling fifty percent (50%) of the "means of control" of such Person.

(ttt) "**Tax Period**" or "**Taxable Period**" means any period prescribed by any Governmental Authority for which a Tax Return is required to be filed or a Tax is required to be paid.

(uuu) "**Tax Representation**" shall mean the representations and warranties of the Company contained in Section 3.19 (*Tax Matters*).

(vvv) "**Tax Return**" means any return, declaration, report, claim for refund, information return or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(www) "**Tax**" shall mean (a) any and all federal, state, provincial, local and foreign taxes, including taxes based upon or measured by gross receipts, capital gain, windfall, income, profits, severance, property, production, sales, use, license, excise, franchise, employment, social security and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, alternative or add-on minimum, ad valorem, value-added, transfer, stamp, or environmental tax (including, for the avoidance of doubt, any liability arising from any Law relating to escheat or unclaimed property) or any other tax, custom, duty or other like assessment or charge of any kind whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and (b) any liability for the payment of amounts determined by reference to amounts described in clause (a) as a result of being or having been a member of any group of corporations that files, will file, or has filed Tax Returns on an affiliated, combined, consolidated or unitary basis, as a result of any obligation under any agreement or arrangement (including any Tax sharing arrangement), as a result of being a transferee or successor, or otherwise.

(xxx) "**Technology**" shall mean all designs, formulas, algorithms, procedures, techniques, ideas, know-how, Software (whether in source code, object code or human readable form), databases and data collections, hardware, equipment, Internet websites and web content, tools, inventions (whether patentable or unpatentable and whether or not reduced to practice), invention disclosures, developments, creations, improvements, works of authorship, other similar materials and all recordings, graphs, drawings, reports, analyses, other writings and any other embodiment of the above, in any form or media, whether or not specifically listed herein, and all related technology, documentation and other materials used in, incorporated in, embodied in or displayed by any of the foregoing, or used in the design, development, reproduction, maintenance or modification of any of the foregoing.

(yyy) "**Third-Party Hardware**" means any hardware component, part, assembly, tool or product that has been used, is used, or is held for use in the business of the Company or any of the Company Subsidiaries as previously conducted, as currently conducted or as currently proposed to be conducted or incorporated into any Product or used in connection with any support or development of any Product.

(zzz) "**Third-Party Software**" means any Software (including object code, binary code, source code, firmware, microcode, libraries, routines, subroutines or other code, and including commercial, open-source and freeware software) and any documentation or other material related to such Software, and any derivative of any of the foregoing, that is (a) not solely owned by the Company and (b) incorporated in, distributed with, accessed by, or required, necessary or depended upon for the development, use or commercialization of, any Product. Third-Party Software includes any and all of the following, to the extent not solely owned by the Company: (i) Software that is provided to the Company's or any of the Company Subsidiaries' end-users in any manner, whether for free or for a fee, whether distributed or hosted, and whether embedded or incorporated in, accessed by or bundled with any Product or on a standalone basis, (ii) Software that is used for development, maintenance and/or support of any Product, including development tools such as compilers, converters, debuggers or parsers, tracking and database tools such as project management Software, source code control and bug tracking software, and Software used for internal testing purposes, and (iii) Software that is used to generate code or other Software that is described in clauses (ii) or (iii).

Section 1.02 **Certain Interpretations.**

(a) Unless otherwise indicated, all references herein to Articles, Sections, Annexes, Exhibits or Schedules, shall be deemed to refer to Articles, Sections Annexes, Exhibits or Schedules of or to this Agreement, as applicable.

(b) Unless otherwise indicated, the words "include," "includes" and "including," when used herein, shall be deemed, in each case, to be followed by the words "without limitation."

(c) The headings set forth in this Agreement are for convenience of reference purposes only and shall not affect or be deemed to affect in any way the meaning or interpretation of this Agreement or any term or provision hereof.

(d) Unless otherwise indicated or the context otherwise requires, all references herein to the Subsidiaries of a Person shall be deemed to include all direct and indirect Subsidiaries of such Person.

(e) Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

(f) Any dollar or percentage thresholds set forth herein shall not be used as a benchmark for the determination of what is or is not "material" or a "Company Material Adverse Effect" under this Agreement.

(g) When used herein, the word "extent" and the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such word or phrase shall not simply mean "if."

(h) Except as otherwise indicated, all references in this Agreement to dollar amounts and to "$" are intended to refer to U.S. dollars.

(i) Any reference to a law or statute shall include such law or statute, as amended (including by succession of comparable successor statutes), and the rules and regulations promulgated thereunder, or any successor statute, rules or regulations thereto, unless the context requires otherwise.

(j) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(k) Unless otherwise expressly provided, wherever the consent of any Person is required or permitted herein, such consent may be withheld in such Person's sole and absolute discretion.

(l) Unless the context otherwise requires "or" is disjunctive but not necessarily exclusive.

(m) References to any Person include the successors and permitted assigns of that Person.

(n) References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

(o) If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter.

(p) The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

ARTICLE II. THE MERGER

Section 2.01 **The Merger.** Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "**Surviving Corporation**") and the separate corporate existence of the Company under the laws of the State of Colorado, with all of its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as otherwise set forth in this Article II.

Section 2.02 **The Closing.** Unless this Agreement shall have been terminated in accordance with Article X, the closing of the Merger (the "**Closing**") will take place on the third Business Day following the satisfaction, or waiver by the Party for whose benefic such condition exists, of the conditions to closing as set forth in Article VIII, or such other time as agreed to by the Parties in writing, each in their sole discretion, at the offices of Nelson Mullins Riley & Scarborough LLP. The date upon which the Closing actually occurs is referred to herein as the "**Closing Date**."

Section 2.03 **Effective Time.** On the Closing Date, the Parties will cause the Merger to be consummated by filing of a Statement of Merger in the form as reasonably agreed to by the Parties as set forth in Section 2.20 (the "**Statement of Merger**"), with the Secretary of State of the State of Colorado (the "**Secretary of State**") as provided in Section 7-111-104.5 of the Colorado Business Corporation Act (the "**CBCA**") and Section 7-90-203.7 of the Colorado Corporations and Associations Act (the "**CCAA**" and, together with the CBCA, the "**Colorado Corporation Law**"). The Merger shall become effective at the time when the Statement of Merger has been duly filed with the Secretary of State, or at such later time as may be agreed by the Parties in writing and specified in the Statement of Merger. The date and time at which the Merger becomes effective is referred to in this Agreement as the "**Effective Time**."

Section 2.04 **Effect of the Merger.** The Merger shall have the effects set forth in this Agreement. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, by virtue of, and simultaneously with, the Merger and without any further action (other than the filing of documents required by the Secretary of State or as otherwise required pursuant to applicable Law) on the part of Parent, the Company or any Company Securityholder, (a) Merger Sub shall merge with and into the Company and the Company shall continue as the Surviving Corporation, (b) all the properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, (c) all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation, and (d) all the rights, privileges, immunities, powers and franchises of the Company (as the Surviving Corporation) shall continue unaffected by the Merger.

Section 2.05 **The Surviving Corporation Articles of Incorporation.** At the Effective Time, Parent shall take such actions as required to cause the articles of incorporation of the Company to be in the form as reasonably agreed to by the Parties as set forth in Section 2.20 (the "**Surviving Articles**"), until duly amended and restated in accordance with its terms and as provided by applicable Law.

Section 2.06 **The Surviving Corporation Bylaws.** At the Effective Time, Parent shall take such actions as required to cause the bylaws of the Surviving Corporation (the "**Bylaws**") to be in the form as reasonably agreed to by the Parties as set forth in Section 2.20 (the "**Surviving Bylaws**") until duly amended in accordance with their terms, the Surviving Articles and as provided by applicable Law.

Section 2.07 **Directors and Officers.**

(a) Directors. The directors of Merger Sub immediately prior to the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be, in accordance with the Surviving Articles and the Bylaws.

(b) Officers. The officers of the Company prior to the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their resignation or removal by the Surviving Corporation's Board of Directors.

Section 2.08 **Effects on Company Securities.** Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or any Company Securityholder other than as set forth herein, the following shall occur:

(a) Company Shares.

(i) *Cancellation of Treasury Stock*. Each Company Share held in the treasury of the Company or owned by any direct or indirect wholly owned Subsidiary of the Company immediately prior to the Effective Time, if any, shall be canceled and retired without any conversion or consideration paid in respect thereof and shall cease to exist.

(ii) *Conversion of Company Common Stock.* Subject to Section 2.08(a)(iv) and Section 2.17, each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (excluding Dissenting Shares), shall automatically be converted into and represent the right to receive a number of Parent Shares equal to the Common Exchange Ratio (provided that the Parties agree that the Holdback Shares shall be deposited with the Escrow Agent pursuant to the provisions of Section 2.11 and released pursuant to the provisions in Section 2.12).

(iii) *Treatment of Unvested Company Common Stock*. If any shares of Company Common Stock outstanding immediately prior to the Effective Time are unvested or are subject to a repurchase option or the risk of forfeiture under any applicable restricted stock purchase agreement or other agreement with the Company (other than those shares (if any) which, as a result of the Merger and by the terms of the agreements applicable thereto, vest or for which any such repurchase options or other such restrictions or risks of forfeiture lapse), then the Parent Shares issued in exchange for such shares of Company Common Stock will to the same extent be unvested and subject to the same repurchase option or risk of forfeiture, and the book-entry entitlements representing such Parent Shares shall accordingly be marked with appropriate legends. Prior to the Closing, the Company shall take all action that may be necessary to ensure that, from and after the Effective Time, Parent is entitled to exercise any such repurchase option or other right set forth in any such restricted stock purchase agreement or other agreement in accordance with its terms.

(iv) *No Fractional Parent Shares*. No fractional Parent Shares shall be issued in connection with the Merger as a result of the conversion provided for in Section 2.08, and no certificates or scrip for any such fractional shares shall be issued. Any holder of Company Shares who would otherwise be entitled to receive a fraction of a Parent Share (after aggregating all fractional Parent Shares issuable to such holder) shall, in lieu thereof and upon surrender of such holder's Company Shares will be entitled to receive, in accordance with the provisions of this Section 2.08(a) a cash payment (rounded to the nearest whole cent) equal to the value of such fractional Parent Share determined by multiplying such fraction by the Parent Share Price.

(b) Company Options. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of the Parties, the Surviving Corporation or any holder of any Company Option that is outstanding immediately prior to the Effective Time, each Company Option, whether vested or unvested, shall be cancelled. Each holder of a vested Company Option who delivers a properly completed and executed Option Surrender and Cancellation Agreement in substantially the form as reasonably agreed to by the Parties as set forth in Section 2.20 (an "**Option Surrender Agreement**"), shall be entitled to receive cash in an amount equal to the product of: (i) the excess, if any, of the dollar value of the portion of the Merger Consideration payable in respect of a share of Company Common Stock (as set forth in the Closing Statement) over the exercise price of such Company Option, multiplied by (ii) the number of shares of Company Common Stock subject to such Company Option (the aggregate amount so payable for all such Company Options, the "**Option Settlement Amount**").

(c) Company Warrants. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of the Parties, the Surviving Corporation or any holder of any Company Warrant that is outstanding immediately prior to the Effective Time each Company Warrant shall be cancelled. Each holder of a Company Warrant who delivers a properly completed and executed Warrant Surrender and Cancellation Agreement in substantially the form as reasonably agreed to by the Parties as set forth in Section 2.20 (a "**Warrant Surrender Agreement**"), shall be entitled to receive cash in an amount equal to the product of: (i) the excess, if any, of the dollar value of portion of the Merger Consideration payable in respect of a share of Company Preferred Stock (as set forth in the Closing Statement) over the exercise price of such Company Warrant, multiplied by (ii) the number of shares of Company Preferred Stock subject to such Company Warrant (the aggregate amount so payable for all such Company Warrants, the "**Warrant Settlement Amount**").

(d) Maximum Consideration. Notwithstanding anything in this Agreement to the contrary, the number of Parent Shares issued, or subject to options or warrants issued or assumed, pursuant to this Agreement will not exceed the Merger Consideration.

Section 2.09 **Effect on Capital Stock of Merger Sub.** Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or any Company Securityholder other than as set forth herein each outstanding share of common stock of Merger Sub, par value $0.001 per share, shall be automatically and without further action converted into one validly issued, fully paid and non-assessable share of common stock of the Surviving Corporation and such shares of common stock shall constitute the only outstanding capital stock of the Surviving Corporation. Each certificate evidencing ownership of such shares of Merger Sub immediately prior to the Effective Time shall, as of the Effective Time, evidence ownership of such shares of the Surviving Corporation.

Section 2.10 **Exchange of Certificates.**

(a) Exchange Agent. Promptly following the Effective Date, Parent shall enter into an agreement (reasonably satisfactory to the Company and reflecting the terms hereof) with a bank or trust company of recognized standing that may be designated by Parent and is reasonably satisfactory to the Company which shall act as the exchange agent in connection with the Transactions (the "**Exchange Agent**"). At the Effective Time, Parent shall deposit, or shall cause to be deposited, with the Exchange Agent, for the benefit of the Company Securityholders, for exchange in accordance with this Agreement through the Exchange Agent, (x) certificates representing the number of Parent Shares issuable pursuant to Section 2.08(a)(ii) and (y) the amount of cash payable pursuant to Section 2.08(a)(iv) as of the Effective Time (such cash and certificates for Parent Shares, together with any dividends or distributions with respect thereto and together with such cash as may be required to make payments in lieu of any fractional shares, being hereinafter referred to as the "**Exchange Fund**"). The Exchange Agent shall, pursuant to irrevocable instructions, deliver (x) the Parent Shares contemplated to be issued pursuant to Section 2.08(a)(ii) and (y) such cash as may be required to make payments in lieu of any fractional shares pursuant to Section 2.08(a)(iv), out of the Exchange Fund. Notwithstanding the above, the Parties acknowledge and agree that the Holdback Shares shall be deposited with the Escrow Agent pursuant to Section 2.11 and released pursuant to the provisions in Section 2.12. Except as contemplated herein, the Exchange Fund shall not be used for any other purpose.

(b) Exchange Procedures. As promptly as practicable after the Effective Time (and in no event later than two Business Days after the Effective Time) Parent shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares (the "**Certificates**") (1) a letter of transmittal (which shall be in customary form and shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent), and (2) instructions for use in effecting the surrender of the Certificates in exchange for cash and certificates representing Parent Shares and cash in lieu of any fractional shares (each as pursuant to Section 2.08). Upon surrender to the Exchange Agent of a Certificate for cancellation, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may be reasonably required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor: (x) a certificate representing that number of whole Parent Shares that such holder has the right to receive in respect of the Shares formerly represented by such Certificate (after taking into account all Shares then held by such holder) pursuant to Section 2.08(a)(ii); (y) cash in lieu of any fractional Parent Shares to which such holder is entitled pursuant to Section 2.08(a)(iv); and (z) any dividends or other distributions to which such holder is entitled pursuant to Section 2.10(c), and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Company Shares that is not registered in the transfer records of the Company, the amount of cash and a certificate representing the number of Parent Shares to which such holder is entitled pursuant to Section 2.08(a)(ii), cash in lieu of any fractional Parent Shares to which such holder is entitled pursuant to Section 2.08(a)(iv) and any dividends or other distributions to which such holder is entitled pursuant to Section 2.10(c) may be issued to a transferee if the Certificate representing such Company Shares is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence satisfactory to the Surviving Corporation that any applicable share transfer taxes have been paid. Until surrendered as contemplated by this Section 2.10, each Certificate (other than Certificates representing Dissenting Shares) shall be deemed at all times after the Effective Time to represent only the right to receive upon such surrender that amount of cash and a certificate representing that number of Parent Shares to which such holder is entitled pursuant to Section 2.08(a)(ii), cash in lieu of any fractional Parent Shares to which such holder is entitled pursuant to Section 2.08(a)(iv) and any dividends or other distributions to which such holder is entitled pursuant to Section 2.10(c).

(c) Distributions with Respect to Unexchanged Parent Shares No dividends or other distributions with respect to the Parent Shares with a record date after the Effective Time shall be paid to the holder of any un-surrendered Certificate with respect to the Parent Shares entitled to be received upon surrender thereof, and no cash payment in lieu of any fractional shares shall be paid to any such holder pursuant to Section 2.08(a)(iv), until the holder of such Certificate shall surrender such Certificate as provided in Section 2.10(b).

(d) Lost, Stolen or Destroyed Certificates If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, and, if required by the Surviving Corporation or the Exchange Agent, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation or Exchange Agent may direct, as indemnity against any claim that may be made against it with respect to such Certificate and the payment of any fee charged by the Exchange Agent for such service, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the amount of cash and number of Parent Shares to which the holder thereof is entitled pursuant to this Agreement.

Section 2.11 **Holdback Shares.** On the Closing Date, Steve Janjic and Adam Martin shall undertake such actions as required to deliver the Holdback Shares to an escrow agent as reasonably acceptable to Parent, Steve Janjic and Adam Martin (the "Escrow Agent"). On the Closing Date, and as a condition to the Closing hereunder, Escrow Agent, Parent, Steve Janjic and Adam Martin shall enter into an escrow agreement with the Escrow Agent in form and substance as reasonably agreed to by the Parties as set forth in Section 2.20 (the "**Escrow Agreement**"), which shall provide that the Holdback Shares shall be held by the Escrow Agent and shall be released in accordance with the provisions of Section 2.12.

Section 2.12 **Release of Holdback Shares.**

(a) Revenue Release. In the event that the revenues of the Company in the initial 12 month period following the Closing Date are less than $1.5 million the Escrow Agent shall, upon joint written notice from Parent and the Securityholder Representative, release all of the Holdback Shares to Parent Parent agrees that, during the period such 12 month period, (i) Parent shall continue to operate the Company substantially in the Ordinary Course o Business as the Company is operated as of the Closing Date, unless the Securityholder Representative agrees otherwise, which agreement th Securityholder Representative may give or withhold in his sole discretion and (ii) Parent agrees that it shall not take any action, or omit to take any reasonable action as required, so as to eliminate or minimize the revenues received by the Company during such period, including, by way of illustration and not limitation, by delaying the receipt of any revenues of the Company to a period beyond the time periods as set forth in this Section 2.12(a). In the event that the revenues of the Company in the initial 12 month period following the Closing Date are equal to or in excess of $1.5 million the Holdback Shares shall not be released to Parent pursuant to this Section 2.12(a) but shall be held by the Escrow Agent and released pursuant to the remaining provisions of this Section 2.12.

(b) Release for Indemnification. Upon a final determination pursuant to the terms and conditions herein, including any resolution of any disputes or disagreements related thereto, that Parent is entitled to receive any Holdback Shares with respect to an indemnification claim hereunder by Parent Parent and the Securityholder Representative shall jointly instruct the Escrow Agent to release a portion of the Holdback Shares to Parent i accordance with the provisions of Section 9.06 and otherwise subject to the remaining terms and conditions herein and in the Escrow Agreement.

(c) Holdback Release Date. Within ten (10) Business Days after the date that is twelve (12) months after the Closing Date, 50% of the Holdback Share remaining held by the Escrow Agent (other than those Holdback Shares equal in value (based on the Parent Share Price) as to any claims by th Indemnified Parties then unresolved as of such date) shall be released by the Escrow Agent and shall be distributed to the Steve Janjic and Adam Martin pro rata based on their respective contributions to the total number of Holdback Shares at the Closing. Within ten (10) Business Days after th date that is twenty four (24) months after the Closing Date all Holdback Shares then remaining held by the Escrow Agent (other than those Holdbac Shares equal in value (based on the Parent Share Price) as to any claims by the Indemnified Parties then unresolved as of such date) shall be release by the Escrow Agent and shall be distributed to the Steve Janjic and Adam Martin pro rata based on their respective contributions to the total numbe of Holdback Shares at the Closing.

(d) The Parties covenant and agree to direct the Escrow Agent in accordance with the terms of this Section 2.12.

Section 2.13 **Contingent Consideration.**

(a) Contingent Consideration.

(i) As additional consideration for the closing of the Transactions, in the event that the Closing occurs and thereafter, in the event that the revenues of the Company in the second 12 month period following the Closing Date exceed $5 million and are less than or equal to $10 million, Parent shal issue to the Company Shareholders a number of unregistered Parent Shares (whether issued or reserved for issuance) equal to the quotient of (a) $5 million divided by (b) the Parent Share Price multiplied by the quotient of (c) the revenues of the Company in the second 12 month perio following the Closing Date less $5 million divided by (d) $5 million.

(ii) As additional consideration for the closing of the Transactions, in the event that the Closing occurs and thereafter, if the revenues of the Company in the second 12 month period following the Closing Date exceed $10 million, Parent shall issue to the Company Shareholders a number o unregistered Parent Shares (whether issued or reserved for issuance) equal to the quotient of (a) $5 million divided by (b) the Parent Share Price.

(iii) The Parties agree that only one of Section 2.13(a)(i) or Section 2.13(a)(ii) shall apply, and the Parties further agree that if the revenues of the Company in the second 12 month period following the Closing Date are less than $5 million, the Contingent Consideration shall be zero.

(iv) Any Parent Shares to be issued pursuant to this Section 2.13 shall be issued to the Company Shareholders within five Business Days o determination of the revenues of the Company as provided herein, and shall be apportioned between the Company Shareholders based on their respective Pro Rata Shares as of the Closing Date.

(b) Upside Remuneration. As additional consideration for the closing of the Transactions, in the event that the Closing occurs and thereafter the Company, between the date of the Closing and the third anniversary of the Closing, sells one or more additional seats (each, a "**Seat**") on the ACExchange, an online marketplace for professional cannabis industry participants operated by the Company (the "Exchange"), then, subject to the terms and conditions herein, the Parent shall pay additional consideration to the Company Shareholders an amount equal to 37.5% of the consideration actually received by the Company for the sale of such Seat(s) in excess of $5,000 per seats for up to 2,500 seats sold, and shall pay an additional portion of the consideration received by the Company to the Payee Seatholders (as defined in the Upside Payment Agreement (as defined below), in accordance with the terms of the Upside Payment Agreement attached hereto as **Exhibit C** and incorporated herein by reference (the "**Upside Payment Agreement**").

(d) Operations of the Company. Parent agrees that, during the period that the Contingent Consideration may be earned or payable hereunder, (i) Parent shall continue to operate the Company and the Exchange substantially in the Ordinary Course of Business as the Company is operated as of the Closing Date, unless the Securityholder Representative agrees otherwise, which agreement the Securityholder Representative may give or withhold in his sole discretion and (ii) Parent agrees that it shall not take any action, or omit to take any reasonable action as required, so as to eliminate or minimize the amount of the Contingent Consideration that may otherwise become payable hereunder, including, by way of illustration and not limitation, by delaying the receipt of any revenues of the Company to a period beyond the time periods as set forth in this Section 2.13.

Section 2.14 **No Further Ownership Rights in Company Shares.** Except as set forth in Section 2.17, from and after the Effective Time, all Company Shares shall no longer be outstanding and shall automatically be cancelled, retired and cease to exist, and each holder of a Certificate or uncertificated Company Shares shall cease to have any rights with respect thereto, except the right to receive a portion of the Merger Consideration upon the surrender thereof in accordance with the provisions of Section 2.08 and Section 2.10; provided however that if a holder has not complied with Section 2.08 and Section 2.10 within 12 months of the Effective Date, that holder's Merger Consider shall be forfeited. The Merger Consideration payable in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to Company Securities. From and after the Effective Time, there shall be no further registration of transfers on the records of the Surviving Corporation of Company Shares that were issued and outstanding immediately prior to the Effective Time, other than transfers to reflect, in accordance with customary settlement procedures, trades effected prior to the Effective Time. If, after the Effective Time, Certificates or uncertificated Company Shares are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article II.

Section 2.15 **Restricted Securities; Legend.**

(a) Parent Shares and any other securities issued by Parent under this Agreement are "restricted securities" as defined in Rule 144. Such Parent Shares and other securities issued by Parent hereunder must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Company Securityholders have been advised or are aware of the provisions of Rule 144, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the availability of certain current public information about Parent, the resale occurring following the required holding period under Rule 144 and in certain circumstances, the number of shares being sold during any three-month period not exceeding specified limitations.

(b) Each Parent Share issued pursuant to this Agreement will be endorsed with a legend, in addition to any other legends required by this Agreement or any other agreement to which the Parent Shares issued pursuant to this Agreement are subject, substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES A OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FO INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, MORTGAGED PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMEN FOR SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIE LAWS, OR THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION PROVISIONS."

Section 2.16 **No Interest.** No interest shall accumulate on any amount payable in respect of any Company Securities in connection with the Merger, and any interest actually accrued shall be payable to Parent.

Section 2.17 **Dissenting Shares.**

(a) Notwithstanding any provision of this Agreement to the contrary, Company Shares that are outstanding immediately prior to the Effective Time and which are held by Company Shareholders who have exercised and perfected appraisal or dissenters' rights for such Company Shares in accordance with the Colorado Corporation Law (collectively, the "**Dissenting Shares**") shall not be converted into or represent the right to receive the applicable portion of the Merger Consideration described in Section 2.08 attributable to such Dissenting Shares. Such Company Shareholders shall be entitled to receive payment of the fair value of such Company Shares held by them in accordance with Colorado Corporation Law, unless and until such Company Shareholders fail to perfect or effectively withdraw or otherwise lose their appraisal or dissenters' rights under Colorado Corporation Law. All Dissenting Shares held by Company Shareholders who shall have failed to perfect or who effectively shall have withdrawn or lost their right to appraisal of such Company Shares under the Colorado Corporation Law shall thereupon be deemed to be converted into and to have become exchangeable for, as of the Effective Time, the right to receive the applicable portion of the Merger Consideration attributable to such Dissenting Shares upon their surrender in the manner provided in Section 2.08 and Section 2.10.

(b) The Company shall give Parent prompt written notice of any demands by dissenting shareholders received by the Company, withdrawals of such demands and any other instruments served on the Company and any material correspondence received by the Company in connection with such demands.

Section 2.18 **Effects on Parent Directors.** At Closing and as a condition thereof, the Parent Board shall be increased to eight (8) persons and Steve Janjic shall be added to the Parent Board. Each such member of Parent's board of directors shall serve until his resignation, removal, or until his successor is elected and qualified at a subsequent annual or special meeting of Parent's stockholders at which directors are to be elected. Richard Schaeffer shall be added as a member of the Parent's advisory board.

Section 2.19 **The Approved Business Plan.** The officers of the Company following the Closing will prepare a post-Merger Company business plan and present such plan to the Parent Board within forty-five (45) calendar days of the Closing Date. Upon approval of such business plan with any revisions required by the Parent Board, such business plan shall become the Company's business plan.

Section 2.20 **Ancillary Documents.** Between the Effective Date and the Closing Date, the Parties shall reasonably cooperate and negotiate in order to come to agreement on the form, terms and conditions of each of (i) the Statement of Merger, (ii) the Surviving Articles, (iii) the Surviving Bylaws, (iv) the Option Surrender Agreement, (v) the Warrant Surrender Agreement and (vi) the Escrow Agreement (collectively, the "**Ancillary Documents**").

Section 2.21 **Necessary Further Actions.** If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, the directors and officers of the Surviving Corporation are fully authorized in the name and on behalf of the Company and the Company Shareholders to take all such lawful and necessary action.

ARTICLE III. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as expressly set forth or specifically referred to with respect to a particular representation or warranty set forth in the schedule of exceptions delivered by the Company to Parent on the Effective Date (the "**Company Schedule of Exceptions**"), and provided that any information disclosed pursuant to any section of the Company Schedule of Exceptions will be deemed to be disclosed for all purposes of this Agreement to the extent that such disclosure contains such information on its face so as to enable a reasonable person to determine that such disclosure qualifies or otherwise specifically applies to other sections herein the Company hereby represents and warrants to Parent and Merger Sub as follows:

Section 3.01 **Incorporation, Good Standing and Qualification.** The Company is a corporation duly incorporated and validly existing under the laws of the State of Colorado, and has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease, operate or otherwise hold its properties and assets. The Company is duly qualified to do business and is in good standing (to the extent either such concept is recognized under applicable Law) in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.02 **Company Charter Documents.** The Company has delivered or made available to Parent prior to the Effective Date complete and correct copies of the Company's articles of incorporation and bylaws and the Shareholders Agreement, each as amended to date (collectively, the "**Charter Documents**"). The Company has delivered or made available to Parent prior to the Effective Date complete and correct copies of the minutes and other records of all meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the shareholders of the Company, the Company Board, and all committees thereof. The Charter Documents are in full force and effect. The Company is not in violation of any of the provisions of the Charter Documents and/or its code of conduct. The Company has not taken any action that is inconsistent in any material respects with any resolution adopted by the Company's shareholders, the Company Board or any committee thereof.

Section 3.03 **Corporate Power; Enforceability.** The Company has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is, or is specified to be, a party, and, subject to obtaining the approval of this Agreement by the requisite Company Shareholders required by the Charter Documents or applicable provisions of the Colorado Corporation Law, to consummate the Transactions (the "**Company Shareholder Approval**"), to perform its covenants and obligations hereunder and thereunder consummate the Transactions. Other than the Company Shareholder Approval, the execution and delivery by the Company of this Agreement and each Ancillary Agreement to which it is, or is specified to be, a party, the performance by the Company of its covenants and obligations hereunder and thereunder and the consummation by the Company of the Transactions, including the Merger, have been duly authorized by all necessary corporate action on the part of the Company and no additional corporate proceedings on the part of the Company are necessary to authorize the execution and delivery by the Company of this Agreement or any Ancillary Agreement to which it is, or is specified to be, a party, the performance by the Company of its covenants and obligations hereunder and thereunder or the consummation of the Transactions, including the Merger. This Agreement has been duly executed and delivered by the Company and, at or before the Closing, the Company will have duly executed and delivered each Ancillary Agreement to which it is, or is specified to be, a party. Subject to receipt of the Company Shareholder Approval, this Agreement constitutes, and each Ancillary Agreement to which it is, or is specified to be, a party will after such execution and delivery constitute, assuming the due authorization, execution and delivery by the other parties thereto, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their terms, except that such enforceability may be limited by the Enforceability Exceptions.

Section 3.04 **Board and Shareholders Actions.**

(a) At a meeting duly called and held prior to the execution of this Agreement in compliance with the requirements of the Charter Documents, the Company Board (i) determined that this Agreement, the Merger and the Transactions are fair to, and in the best interests of, the Company and the Company Shareholders and that, considering the financial position of the merging companies, no reasonable concern exists that the Surviving Corporation will be unable to fulfill the obligations of the Company to its creditors, (ii) approved this Agreement, the Merger and the Transactions, and (iii) resolved to recommend that the Company Shareholders vote for the approval of this Agreement, the Merger and the Transactions.

(b) Assuming the receipt of the Company Shareholder Approval, no other vote of holders of any stock or other securities of the Company is necessary in order to approve and adopt this Agreement and the Merger under the Charter Documents.

Section 3.05 **Non-Contravention.** Except as set forth in Section 3.05 of the Company Schedule of Exceptions, neither the execution, delivery and performance by the Company of this Agreement or any of the Ancillary Agreements to which it is, or is specified to be, a party will:

(a) contravene, violate or conflict with or result in the breach of or constitute a default under any of the Charter Documents of the Company or any Company Subsidiary;

(b) to the Knowledge of the Company, contravene, conflict with, or violate, or give any Governmental Authority or other Person the right to challenge any of the Transactions, or to exercise any remedy or obtain any relief under, any Law or governmental order to which the Company or any Company Subsidiary, or any assets owned or used by the Company or any Company Subsidiary, could be subject;

(c) contravene, conflict with, violate, result in the loss of any benefit to which the Company is entitled under, or give any Governmental Authority the right to revoke, suspend, cancel, terminate, or modify, any Governmental Authorization held by the Company or that otherwise relates to the business of, or any assets owned or used by, the Company, except to the extent that the forgoing would not cause a Company Material Adverse Effect;

(d) to the Knowledge of the Company, cause any assets owned or used by the or the Company to be reassessed or revalued by any Governmental Authority;

(e) breach, or give any Person the right to declare a default or exercise any remedy or to obtain any additional rights under, or to accelerate the maturity or performance of, or payment under, or cancel, terminate, or modify, any Contract to which any Shareholder or the Company is a party, except to the extent that the forgoing would not cause a Company Material Adverse Effect; or

(f) result in the creation of any Lien (other than Permitted Liens) upon any of the properties or assets of the Company or any of Company Subsidiary.

Section 3.06 **Required Governmental Approvals.** Except for (a) the filing with the Secretary of State of the Statement of Merger as provided in the Colorado Corporation Law; (b) such filings and other Approvals as may be required solely by reason of Parent's or Merger Sub's (as opposed to the Company's) participation in the Merger or the Transactions; and (c) such other Approvals the failure of which to make or obtain has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, no material notices, consents, authorizations, approvals registrations, permits, licenses, orders, reports or other filings (any of the foregoing being referred to herein as an "**Approval**") are required to be made or obtained by the Company or any Company Subsidiary with or from any Governmental Authority in connection with the execution, delivery and performance of this Agreement by the Company and the consummation of the Merger and the Transactions.

Section 3.07 **Company Capitalization.**

(a) As of the Effective Date, the Company has (i) 30,000,000 authorized shares of Company Common Stock, of which 29,754,333 shares are issued and outstanding; (ii) no authorized, issued or outstanding shares of Company Preferred Stock; (iii) no issued and outstanding Company Warrants to purchase shares of Company Common Stock; and (iv) no issued and outstanding Company Options to purchase shares of Company Common Stock. Between the Effective Date and the Closing Date, the Company shall issue certain additional shares of Company Common Stock and shall make certain grants of restricted common stock pursuant to the Incentive Plan (as defined below) which shall vest in accordance with their terms as of the Closing, in each case as set forth in Section 7.07.

(b) Except as set forth herein and as of the Effective Date, no shares, Company Securities or other voting securities of the Company were issued, reserved for issuance or outstanding. All outstanding Company Securities are, and all such Company Securities that may be issued prior to the Effective Time will be when issued, duly authorized, validly issued, fully paid, nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive rights, subscription right or any similar right under any provision of the Colorado Corporations Law, the Charter Documents or any Contract to which the Company is otherwise bound. From the Effective Date until the Effective Time, the Company has not (i) issued any Company Securities or other securities or rights to acquire Company Securities or other rights that give the holder thereof any economic benefit accruing to the holders of any Company Securities, other than pursuant to the vesting, exercise or settlement of Company Options and Company Warrants or as permitted by Section 5.01(b), or (ii) granted, committed to grant or otherwise created or assumed any obligation with respect to any Company Securities, other than as permitted by Section 5.01(b).

(c) Section 3.07(c) of the Company Schedule of Exceptions lists (i) each Company Security outstanding as of the Effective Date, (ii) the name of the holder thereof, (iii) as to Company Options and Company Warrants, the grant date, expiration date, the number of Company Shares issuable thereunder, the exercise price and (iv) as to Company Options, whether each such Company Option was granted as a nonqualified stock option or an incentive stock option. In addition, Section 3.07(c) of the Company Schedule of Exceptions indicates, as of the Effective Date, which holders of outstanding Company Options are not employees of the Company (including non-employee directors, contractors, vendors, service providers or other similar persons), including a description of the relationship between each such person and the Company.

(d) Except as set forth in Section 3.07(c) of the Company Schedule of Exceptions, there are (i) no outstanding Company Securities or other equity o voting interest in the Company, (ii) no outstanding securities of the Company convertible into or exchangeable for Company Securities or other equity or voting interest in the Company, (iii) no outstanding options, warrants, rights or other commitments or agreements to acquire from the Company or any Company Subsidiary, or that obligates the Company or any Company Subsidiary to issue, any Company Securities or other equity or voting interes in, or any securities convertible into or exchangeable for Company Securities, or other equity or voting interest in, nor any deferred compensation rights, agreements, arrangements or commitments of any kind to which the Company is a party relating to the issuance of Company Securities, (iv) no obligations of the Company to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security or other similar agreement or commitment relating to any Company Securities or other equity or voting interest (including any voting debt) in, the Company and (v) no other obligations by the Company or any of the Company Subsidiaries to make any payments based on the price or value of any Company Securities. Neither the Company nor any of the Company Subsidiaries is a party to any Contract which obligates the Company or any Company Subsidiary t repurchase, redeem or otherwise acquire any Company Securities, except in connection with the repurchase or acquisition of Company Securities pursuant to the terms of the Green Tree International, Inc. 2018 Incentive Plan, dates as of on or about July 17, 2018 (the "**Incentive Plan**").

(e) Neither the Company nor any Company Subsidiary is a party to any Contract relating to the voting of, requiring registration of, or granting any preemptive rights, anti-dilutive rights or rights of first refusal or other similar rights with respect to any securities of the Company or any Company Subsidiary.

(f) As of the Effective Date, the Company Securityholder Schedule is true, complete and accurate in all respects. On the Closing Date, the Compar shall deliver to Parent an updated Company Securityholder Schedule, which shall be true, complete and accurate in all respects as of the Closing Date.

Section 3.08 **Company Subsidiaries.**

(a) Section 3.08(a) of the Company Schedule of Exceptions contains a complete and accurate list of the name, jurisdiction of organization, capitalization schedule of shareholders or other equity holders of and the individuals who comprise the board of directors or comparable body and officers of each Company Subsidiary.

(b) Each of the Company Subsidiaries is duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction of its respective incorporation or organization (to the extent either such concept is recognized under applicable Law). Each of the Company Subsidiaries has the requisite corporate power and authority to carry on its respective business as it is presently being conducted and to own, lease or operate or otherwise hold its respective properties and assets. Each of the Company Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary (to the extent either such concept is recognized under applicable Law), except where the failure to be so qualified or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) All of the outstanding equity or voting interests in each Company Subsidiary (i) have been duly authorized, validly issued and are fully paid and nonassessable and (ii) are owned, directly or indirectly, by the Company or another Company Subsidiary, free and clear of all Liens (other than Liens under applicable securities Laws) and free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such equity or voting interest).

(d) There are no outstanding (i) securities of the Company or any Company Subsidiary convertible into or exchangeable for any equity or voting interest in any Company Subsidiary, (ii) options, warrants, rights or other commitments or agreements to acquire from the Company or any Company Subsidiary or that obligate the Company or any Company Subsidiary to issue, any equity or voting interest in, or any securities convertible into or exchangeable for any equity or voting interest in, nor any deferred compensation rights, agreements, arrangements or commitments of any kind to which the Company or any Company Subsidiary is a party relating to the issuance of any equity or voting interest in any Company Subsidiary, (iii) obligations of the Company or any Company Subsidiary to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security or other similar agreement or commitment relating to any equity or voting interest (including any voting debt) in, any Company Subsidiary (the items in clauses (i), (ii) and (iii), together with the equity and voting interests in the Company Subsidiaries, being referred to collectively as "Subsidiary Securities"), or (iv) other obligations by the Company or any Company Subsidiary to make any payments based on the price or value of any Subsidiary Securities. Neither the Company nor any Company Subsidiary is a party to any Contract which obligates the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any outstanding Subsidiary Securities.

(e) The Company has made available to Parent prior to the Effective Date true and complete copies of the articles of incorporation, bylaws, articles of organization, operating agreements, voting agreements, shareholder agreements, partnership agreement, trust agreement and other governing documents (collectively, "**Subsidiary Charter Documents**") of each Company Subsidiary. The Company has delivered or made available to Parent prior to the Effective Date accurate and complete copies of all the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the equity holders of each of the Company Subsidiaries and the board of directors or equivalent body of each of the Company Subsidiaries, and all committees thereof. None of such Company Subsidiaries is in default of such Subsidiary Charter Documents.

(f) Section 3.08(f) of the Company Schedule of Exceptions sets forth a true and complete list of all capital stock, membership interests, partnership interests, joint venture interests and other equity interests in any Person (other than a Company Subsidiary) owned, directly or indirectly, by the Company or any Company Subsidiary as of the Effective Date.

Section 3.09 **Company Financial Statements.**

(a) The consolidated, audited financial statements of the Company and the Company Subsidiaries as of and for the years ended December 31, 2017 and December 31, 2018 (the "**Financial Statements**") (i) fairly present in all material respects the consolidated financial condition of the Company and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth and (ii) have been prepared in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto.

(b) The Company's principal executive officer and its principal financial officer have disclosed to the Company's auditors and the Company Board (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a–15(f) of the Exchange Act) that were Known to the Company and (ii) any fraud or allegation of fraud Known to the Company that involves management o other employees who have a significant role in the Company's internal controls over financial reporting.

(c) None of the Company, any Company Subsidiary or, to the Knowledge of the Company, any of their directors or officers has received any materia complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company, any Company Subsidiary or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company any Company Subsidiary has engaged in questionable accounting or auditing practices, other than billing inquiries or complaints made in the Ordinary Course of Business, and (ii) no attorney representing the Company or any Company Subsidiary has reported to the Compan Board, any committee thereof or, the Knowledge of the Company, to any officer of the Company, evidence of a material violation of securities Laws, a breach of fiduciary duty or a similar material violation by the Company, any Company Subsidiary or any of their officers, directors or employees.

Section 3.10 **No Undisclosed Liabilities.** To the Knowledge of the Company, neither the Company nor any Company Subsidiary has any Liabilities o obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not such Liabilities are of a nature required to be reflected or reserved against on an audited consolidated balance sheet prepared in accordance with GAAP or in the notes thereto), other than (a) Liabilities reflected o otherwise reserved against in the Financial Statements, (b) Liabilities arising under this Agreement or incurred in connection with the Transactions, and (c) Liabilities incurred since the Company Balance Sheet Date in the Ordinary Course of Business that would not reasonably be expected to have a Compan Material Adverse Effect.

Section 3.11 **Absence of Certain Changes.** Since the Company Balance Sheet Date through the Effective Time (a) except for actions taken or not taken i connection with the Transactions, the business of the Company and the Company Subsidiaries has been conducted, in all material respects, in the Ordinary Course of Business, (b) neither the Company nor any Company Subsidiary has taken any action that, if taken after the Effective Date, would constitute breach of, or require Parent's consent under, Section 5.01, and (c) there has not been or occurred, and, to the Knowledge of the Company, no circumstances have existed or exist that constitute or would reasonably be expected to result in, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.12 **Material Contracts.**

(a) For all purposes of and under this Agreement, a "**Material Contract**" shall mean:

(i) any Contract with any Person either as an employee, director or an independent contractor (in each case, under which the Company or any Company Subsidiary has continuing obligations as of the Effective Date) that carries an aggregate annual base salary or annual compensation in excess of $100,000 per annum (excluding Contracts for "at-will" relationships or that are terminable by the Company or the applicable Company Subsidiary at its discretion, by notice of not more than ninety (90) days for a cost of less than $10,000);

(ii) any severance, retention, termination, golden parachute, change-of-control or similar Contract with any current or former employee, director, officer or independent contractor of the Company or any Company Subsidiary;

(iii) any Contract relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any of the Company Securities or Subsidiary Securities or other securities or any options, warrants or other rights to purchase or otherwise acquire any Company Securities or Subsidiary Securities;

(iv) any customer, client, sales representative, distributor, franchise or supply Contract that involves bookings during the fiscal year 2017 through the first quarter of the fiscal year 2018 in excess of $50,000;

(v) any Contract with a Governmental Authority;

(vi) any Contract to which the Company or any Company Subsidiary is a party that (1) contains any covenant by the Company or any Company Subsidiary that limits the freedom of the Company or any Company Subsidiary to compete in any line of business or with any other Person or in any geographic location, or (B) restricts the development, manufacture, marketing or distribution of the products and services of the Company or any Company Subsidiary, including any Contract with any Person granting such Person the exclusive right in any territory to sell or distribute any product, or other Contract providing "most favored nations" pricing terms;

(vii) any Contract under which the Company or any Company Subsidiary has, directly or indirectly, made any advance, loan, extension of credit or capital contribution to, or other investment in, any Person (other than the Company or any Company Subsidiary) in excess of $25,000 (other than extensions of trade credit in the Ordinary Course of Business);

(viii) any Contract granting any Person a right of first refusal or first negotiation or similar right with respect to any sale of the Company, any Company Subsidiary or a substantial portion of the Company or any Company Subsidiary's equity or assets;

(ix) any Contract imposing "standstill" obligations on the Company or any Company Subsidiary;

(x) any Contract that contains a license, lease, distribution, sale, resale or incorporation of any Intellectual Property (except for Shrink-Wrap Licenses);

(xi) any Contract that relates to the formation, creation, operation, management or control of any legal partnership, strategic alliance or any joint venture entity pursuant to which the Company or any Company Subsidiary has an obligation (contingent or otherwise) to make a material investment in or material extension of credit to any Person or any Contract involving the sharing of revenues, profits or losses or proprietary information by the Company or any Company Subsidiary with any Person other than an Affiliate;

(xii) any Contract that involves or relates to Indebtedness or under which the Company or any Company Subsidiary has issued any note, bond debenture or other evidence of Indebtedness to, any Person or any other note, bond, debenture or other evidence of Indebtedness of the Company or any Company Subsidiary (whether incurred, assumed, guaranteed or secured by any asset), in each case, for a principal amount in excess of $10,000 (in one or a series of one or more related transactions);

(xiii) any lease of personal or real property that involves anticipated expenditures by the Company or any Company Subsidiary of more than $100,000 in any twelve (12) month period;

(xiv) any Contract that the Company or any Company Subsidiary is a party to that, by it terms, does not terminate or is not terminable by the Company or the Company Subsidiary without penalty within six (6) months after the Effective Date;

(xv) any Contract that, together with any related Contracts, provides for capital expenditures in excess of $25,000 for any single project or related series of projects;

(xvi) any Contract among the Company and any Company Subsidiary; and

(xvii) any Contract, or group of related Contracts with a Person (or group of affiliated Persons), the termination or breach of which would or would reasonably be expected to have a Company Material Adverse Effect and is not disclosed pursuant to clauses (i) through (xvi) above.

(b) Section 3.12(b) of the Company Schedule of Exceptions contains a list of all Material Contracts to which the Company or any Company Subsidiary a party or by which it or its assets are bound as of the Effective Date. As of the Effective Date, true and complete copies of all Material Contract (including all modifications, amendments, supplements, waivers, and side letters) have been made available to Parent. There are no Material Contracts that are not in written form.

(c) (i) Each Material Contract is valid and binding on the Company (and/or each such Company Subsidiary party thereto) and, to the Knowledge of th Company, each other party thereto, and is in full force and effect, enforceable against the Company or each such Company Subsidiary party thereto as the case may be, in accordance with its terms, subject to the Enforceability Exceptions, (ii) neither the Company nor any Company Subsidiary tha is a party thereto, nor, to the Knowledge of the Company, any other party thereto, is in material breach of, or material default under, any Material Contract, and, to the Knowledge of the Company, no circumstances exist and no event has occurred that with notice or lapse of time or both would or would be reasonably expected to constitute such a material breach or material default thereunder by the Company or any Company Subsidiary, or, to the Knowledge of the Company, any other party thereto or are reasonably expected to contravene, in any material respect, conflict in any material respect with, or result or give the Company or any Company Subsidiary or any other Person the right to declare a material default or exercise any material remedy under, or to materially accelerate the maturity, performance of or right under, or to cancel, terminate or materially modify, any Material Contract, and (iii) neither the Company nor any Company Subsidiary has received notice of any actual, alleged, possible or potential violation of, or failure to comply with, any material term or requirement of any Material Contract.

Section 3.13 **Real Property.**

(a) Neither the Company nor any Company Subsidiary owns any real property.

(b) Section 3.13(b) of the Company Schedule of Exceptions contains a complete and accurate list of all existing leases, subleases or other agreements (collectively, the "**Leases**") under which the Company or any Company Subsidiary uses or occupies or has the right to use or occupy, now or in the future, any real property (such property, the "**Leased Real Property**"). The Company has made available to Parent prior to the Effective Date a complete and accurate copy of all Leases of Leased Real Property (including all modifications, amendments, supplements, waivers and side letters thereto). The Company and/or the Company Subsidiaries have and own valid leasehold interests in the Leased Real Property, free and clear of all Liens other than Permitted Liens. The Company Leased Real Property constitutes all interests in real property used, occupied or held for use in connection with the business of the Company and the Company Subsidiaries and which are necessary for the continued operation of the business of the Company and the Company Subsidiaries as the business is currently conducted and as currently proposed to be conducted.

(c) With respect to each of the Leases:

(i) the Company or the applicable Company Subsidiary's possession, as applicable, and quiet enjoyment of the Leased Real Property relating to each Lease has not been disturbed, and to the Knowledge of the Company, there are no disputes with respect to such Lease;

(ii) no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default under such Lease which has not been redeposited in full;

(iii) neither the Company nor any Company Subsidiary owes any brokerage commissions or finder's fees with respect to such Lease;

(iv) neither the Company nor any Company Subsidiary has assigned, collaterally assigned, subleased, licensed, granted any option or right of first refusal or first offer or granted any security interest in any Lease or any interest therein other than Permitted Liens; and

(v) the Company and the Company Subsidiaries have paid all sums due and observed and performed the covenants and obligations on the part of the tenant and the conditions contained in the Leases.

(d) All of the Leases are each in full force and effect and valid and enforceable by and against the Company and/or a Company Subsidiary, as applicable, and the lessor in accordance with its terms, subject to the Enforceability Exceptions, and neither the Company nor any Company Subsidiary is in breach of or default under, or has received written notice of any breach of or default under, any such Lease, and, to the Knowledge of the Company, no event has occurred that with notice or lapse of time or both would or would reasonably be expected to constitute a breach or default thereunder by the Company or any Company Subsidiary or any other party thereto.

(e) To the Knowledge of the Company, (i) each of the Company and the Company Subsidiaries has all material Permits necessary for the current use by it of each applicable Leased Real Property, (ii) no material default or violation by the Company or any Company Subsidiary has occurred in the due observance of any such Permit and (iii) the current uses of each Leased Real Property comply with applicable Laws.

Section 3.14 **Personal Property.** The Company and the Company Subsidiaries are in possession of and have good title to, or valid leasehold interests in or valid rights under contract to use, the tangible personal property and assets that are material to the Company and the Company Subsidiaries, free and clear of all Liens other than Permitted Liens.

Section 3.15 **Intellectual Property.**

(a) Section 3.15(a) of Company Schedule of Exceptions lists and separately identifies: (i) all Company Registered Intellectual Property (setting forth, for each item, the full legal name of the owner of record, applicable jurisdiction, status, application or registration number, and date of application, registration or issuance, as applicable, and including the following information: (1) for each Patent included in the Company Registered Intellectual Property (a "**Company Patent**"), all upcoming due dates and filing deadlines up to and including the date that is nine (9) months after the Closing Date; (2) for each registered trademark, trade name or service mark, the class of goods and services covered; (3) for each URL or domain name, any renewal date and the name of the relevant registry; and (4) for each registered mask work, the date of first commercial exploitation); and (ii) all Products that are currently sold, published, offered for sale, or under development by the Company or any of the Company Subsidiaries.

(b) The Company has complied with all the requirements of all United States and foreign patent offices and all other applicable Governmental Authorities to maintain the Company Patents in full force and effect in all material respects, including payment of all required fees when due to such offices or entities. Other than prior art references cited in the applicable patent office file history of any Company Patent (a complete copy of which the Company has delivered to Parent), to the Knowledge of the Company there are no prior art references or prior public uses, sales, offers for sale or disclosures that could invalidate the Company Patents or any claim thereof, or of any conduct the result of which could render the Company Patents or any claim thereof invalid or unenforceable.

(c) The original, first and joint inventors of the subject matter claimed in the Company Patents are properly named in the Company Patents, and the applicable statutes governing marking of Products covered by the inventions in the Company Patents have been fully complied with in all material respects.

(d) The Company Intellectual Property constitutes all of the Intellectual Property used in the conduct of the business of the Company and its Affiliates a now conducted or and each item of Company Intellectual Property will, immediately following the Effective Time, continue to be owned or licensed for use by Parent, the Surviving Corporation and their respective Affiliates on the same terms with which the Company and its Affiliates, immediately prior to the Effective Time, own or license such item. Each item of Company Intellectual Property is either: (i) owned solely by the Company or one of the Company Subsidiaries free and clear of any Liens other than Permitted Liens, or (ii) rightfully used and authorized for use by the Company and the Company Subsidiaries and their permitted successors pursuant to a valid and enforceable written license, subject to the Enforceability Exceptions. The Company and the Company Subsidiaries have and have had all rights in the Company Intellectual Property necessary to carry out the Company's and the Company Subsidiaries' former activities, current activities and planned activities with respect to the Products, including any of the Products currently under development, including in each case rights to make, use, exclude others from using, reproduce, modify, adapt, create derivative works based on, translate, distribute (directly and indirectly), transmit, display and perform publicly, license, sublicense, rent, lease, assign and sell the Company Intellectual Property in all geographic locations and fields of use. Neither the Company nor any of the Company Subsidiaries hosts, offers a a service, uses in a service bureau or otherwise makes available in any similar manner any Company Intellectual Property, or permits any customer, partner or other third party to host, offer as a service, use in a service bureau or otherwise make available in any similar manner any Company Intellectual Property. The Company and the Company Subsidiaries have registered or applied to register all licenses for any Company Intellectual Property in any jurisdiction where registration is required or otherwise advantageous. Title to all Company Intellectual Property owned or purported to be owned by the Company, whether beneficially or otherwise, is held by and in the name of the Company.

(e) The Company and each of the Company Subsidiaries are in compliance with and have not breached, violated or defaulted under, or received written notice that they have breached, violated or defaulted under, any of the terms or conditions of any license, sublicense or other Contract to which the Company or any of the Company Subsidiaries is a party or is otherwise bound relating to any of the Company Intellectual Property, nor to the Knowledge of the Company has there been or is there any event or occurrence that would reasonably be expected to constitute such a breach, violation or default (with or without the lapse of time, giving of notice or both). Each such Contract is in full force and effect, and to the Knowledge of the Company, no third party obligated to the Company or any of the Company Subsidiaries pursuant to any such Contract is in default thereunder. Immediately following the Closing, the Surviving Corporation will be permitted to exercise all of the Company's and the Company Subsidiaries' rights under such Contracts to the same extent the Company and each of the Company Subsidiaries would have been able to had the consummation by Parent and Merger Sub of the Transactions not occurred and without the payment of any additional amounts or consideration other than fees, royalties or payments which the Company or any of the Company Subsidiaries would otherwise have been required to pay had the Transactions not occurred. No such Contract grants or could compel any of the Company, any of the Company Subsidiaries, Parent or any of its Affiliates, to grant or offer to any third party any license or right in or to any Intellectual Property other than Company Intellectual Property, including any right to use or access any Product or service of Parent or any of its Affiliates, whether as a result of this Agreement, the Transactions or otherwise. Neither the Company nor any of the Company Subsidiaries is obligated to provide any consideration (whether financial or otherwise) to any third party, nor is any third party otherwise entitled to any consideration, with respect to any exercise of rights by the Company or any of the Company Subsidiaries or the Surviving Corporation, as successor to the Company or any of the Company Subsidiaries, in the Company Intellectual Property.

(f) Neither the Products nor the conduct of the business of the Company and the Company Subsidiaries as previously conducted, as currently conducte and as currently planned to be conducted, including the development, marketing, sale, support and use of the Products, have infringed, or do or will infringe any other Person's copyrights, trade secret rights, right of privacy, right in Personal Data, moral right, Patent, trademark, service mark, trade name, firm name, logo, trade dress, mask work or other Intellectual Property right, or give rise to any claim of unfair competition under any applicable Law. No claims (i) challenging the validity, enforceability, effectiveness or ownership by the Company or any of the Company Subsidiaries of any of the Company Intellectual Property owned or purported to be owned by the Company or the Company Subsidiaries or (ii) to the effect that any Produc or the conduct of the business of the Company and the Company Subsidiaries, including the development, marketing, sale and support of the Products has infringed or does or will infringe or constitute a misappropriation of any Intellectual Property or other proprietary or personal right of any Perso have been asserted or, to the Knowledge of the Company, threatened by any Person against the Company or any of the Company Subsidiaries or thei respective licensees, nor does there exist any valid basis for such a claim. There are no Legal Proceedings, including interference, re-examination reissue, opposition, nullity, or cancellation Legal Proceedings pending that relate to any of the Company Registered Intellectual Property, other tha review of pending Patent and trademark applications, and to the Knowledge of the Company no such Legal Proceedings are threatened o contemplated by any Governmental Authority or any other Person. All Company Registered Intellectual Property is valid and subsisting. To th Knowledge of the Company, there is no unauthorized use, infringement, or misappropriation by any third party or Employee of any Company Intellectual Property owned by the Company or any of the Company Subsidiaries.

(g) The Company and the Company Subsidiaries have obtained from all Persons (including former and current employees and current or forme consultants and subcontractors) who have created any portion of, or otherwise who would have any rights in or to, the Company Intellectual Property owned by the Company or any of the Company Subsidiaries valid and enforceable (subject to the Enforceability Exceptions) written assignments o any such work, invention, improvement or other rights to the Company and the Company Subsidiaries and have delivered true and complete copies of such assignments to Parent. No former employee, current employee, consultant or former consultant of the Company or any of the Company Subsidiaries has ever excluded any Intellectual Property from any written assignment executed by any such Person in connection with work performed for or on behalf of the Company or any of the Company Subsidiaries. All amounts payable by the Company or any of the Company Subsidiaries to consultants and former consultants involved in the development of any Company Intellectual Property owned or purported to be owned by the Company or any Company Subsidiary have been paid in full, other than amounts currently due in the Ordinary Course of Business an consistent with prior practice, that are not delinquent.

(h) The Transactions will not materially alter or materially impair any right or interest of the Company or any of the Company Subsidiaries in any Company Intellectual Property.

(i) The Company is in actual possession of and has exclusive control over a complete and correct copy of the source code for all proprietary Software of the Company and the Company Subsidiaries used in the business of the Company or its Affiliates. Neither the Company nor any of the Compan Subsidiaries has disclosed or delivered to any escrow agent or any other Person any of the source code relating to any Company Intellectual Property No person has any right to receive, access or use any such source code except for access or use by employees or contractors performing work on behalf of the Company or any Company Subsidiary in the Ordinary Course of Business and pursuant to an agreement with customary confidentialit and restriction on use terms and no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, nor will this Agreement or the Transactions result in the delivery, license, disclosure or release, or a requirement for the delivery, license, disclosure or release, of such source code by the Company, any Company Subsidiary or any other Person. Al source code referred to in this Section 3.15(i) is maintained in a source code management system with commercially reasonable revision history, management, tracking and security measures and safeguards, and such source code and associated documentation have been written in a commercially reasonable manner so that they may be understood, modified, used and maintained by a reasonably skilled and competent programmer.

(j) The Company and the Company Subsidiaries have each taken commercially reasonable measures to protect their ownership of, and rights in, al Company Intellectual Property owned by the Company or any of the Company Subsidiaries in accordance with customary industry practices. Withou limiting the foregoing, neither the Company nor any of the Company Subsidiaries has made any of its trade secrets or other confidential or proprietary information that it intended to maintain as confidential (including source code with respect to Company Intellectual Property) available to any other Person except pursuant to written Contracts requiring such Person to maintain the confidentiality of such information. Section 3.15(j) of the Company Schedule of Exceptions lists all such Contracts. No such Contract (i) obligates the Company or any of the Company Subsidiaries to make available any confidential or proprietary information, (ii) grants any right (whether contingent or otherwise, including pursuant to any "residual information," "residual knowledge" or similar clause) to use or practice any rights under any Company Intellectual Property, other than a non-exclusive limited right to evaluate any confidential and proprietary information made available thereunder and which right is freely terminable by the Company or the applicable Company Subsidiary at any time without penalty or other liability, or (iii) confers upon any Person other than the Company any ownership right exclusive license or other exclusive right with respect to any Intellectual Property developed or delivered in connection with such Contract.

(k) The Company Intellectual Property does not contain (i) any instructions, algorithms, computer code or other device or feature designed to disrupt disable, prevent or harm in any manner the operation of any Software, data or hardware, including any lockout or similar license control functionality or (ii) any unauthorized instructions, algorithms, computer code or other device or feature (including any worm, bomb, backdoor, clock, timer, drop dead device, or other disabling device, code, design or routine) that maliciously causes or is intended to cause harm to any Software, data or hardware, including any such device or feature intended to (1) cause any Software, data or hardware to be erased, modified, damaged, or rendered inoperable or otherwise incapable of being used, as applicable, (2) replicate or propagate itself throughout other Software, data or hardware, (3) alter or usurp the normal operation of any Software or hardware, (4) search for and consume memory within a computer or system or (5) transmit data, in each case, either automatically, with the passage of time or upon command by any Person other than the proper user.

(l) Section 3.15(l) of the Company Schedule of Exceptions sets forth all Contracts pursuant to which the Company or any of the Company Subsidiarie grants any right (whether contingent or otherwise) to use or practice any rights under any Company Intellectual Property.

(m) Section 3.15(m) of the Company Schedule of Exceptions sets forth all Contracts pursuant to which the Company or any of the Company Subsidiarie holds any rights to any third-party Intellectual Property other than (i) Third-Party Software and Third-Party Hardware and (ii) generally commercial available Software licensed by the Company or any of the Company Subsidiaries for a total contract price of $25,000 or less.

(n) Section 3.15(n)(1) of the Company Schedule of Exceptions sets forth all Third-Party Software, setting forth for each such item (i) the name an version of such item, (ii) the name of the owner and/or licensor of such item, (iii) all licenses and other agreements pursuant to which the Company or any of the Company Subsidiaries holds rights to such item, (iv) the Product(s), including version numbers, to which such item relates, if any (v) whether such item is used internally by or on behalf of the Company or any of the Company Subsidiaries, (vi) whether such item is distributed by or on behalf of the Company or any of the Company Subsidiaries (whether on a standalone basis or as an embedded or bundled component) and, if so whether such item is distributed in source, binary or other form, (vii) whether such item is hosted, offered as a service or made available in a service bureau or in any similar manner by or on behalf of the Company or any of the Company Subsidiaries (whether on a standalone basis or as an embedded or bundled component), (viii) whether the Company or any of the Company Subsidiaries permits any third party to host, offer as a service or make available in a service bureau or in any similar manner such item (whether on a standalone basis or as an embedded or bundled component), (ix) whether such item has been modified by or on behalf of the Company or any of the Company Subsidiaries, (x) whether such item is used by or on behalf of the Company or any of the Company Subsidiaries to generate code or other material, and if so, a description (consistent with the disclosure requirements under clauses (v) through (ix) above) of the use, modification, hosting and/or distribution of such generated code or other material, (xi) a summary of the Company's and the Company Subsidiaries' payment history in respect of such item, as well as a summary of anticipated future payments in respect of such item, including license fees, renewal fees, maintenance fees, support fees and royalties, (xii) whether such item is used, held for use or required (or generates code or other material that is used, held for use or required) to satisfy any obligation under any Maintenance and Support Agreement, and (xiii) any rights by a third party to audit or review any financial, license or royalty information, if any, with respect thereto. For purposes of this Section 3.15(n), "Product" includes any Product under development. Neither the Company nor any of the Company Subsidiaries has been subjected to an audit of any kind in connection with any license or other Contract pursuant to which the Company or any of the Company Subsidiaries hold rights to any Third-Party Software, nor received any notice of intent to conduct any such audit. Neither the Company nor any of the Company Subsidiaries has incorporated into any Product or otherwise accessed, used, modified or distributed any Third-Party Software, in whole or in part, in a manner that may (1) require any Company Intellectual Property to be licensed, sold, disclosed, distributed, hosted or otherwise made available, including in source code form and/or for the purpose of making derivative works, for any reason, (2) grant, or require the Company or any of the Company Subsidiaries to grant, the right to decompile, disassemble, reverse engineer or otherwise derive the source code or underlying structure of any Company Intellectual Property, or (3) limit in any manner the ability to charge license fees or otherwise seek compensation in connection with marketing, licensing or distribution of any Company Intellectual Property, and neither the Company nor any of the Company Subsidiaries has any plans to do any of the foregoing. Section 3.15(n)(2) of the Company Schedule of Exceptions sets forth a list of all Persons providing data (excluding customers providing confidential and proprietary data solely for use by or on behalf of such customer) to the Company or any of the Subsidiaries, as well as certain additional information with respect to each such Person. All information set forth on Section 3.15(n)(1) and Section 3.15(n)(2) of the Company Schedule of Exceptions (including the foregoing items (i)-(xiii)) is true and complete.

(o) None of the Company's or any of the Company Subsidiaries' Contracts (including any Contract for the performance of professional services by or on behalf of the Company or any of the Company Subsidiaries) confers upon any Person other than the Company any ownership right, exclusive license or other exclusive right with respect to any Intellectual Property developed or delivered in connection with such Contract.

(p) Section 3.15(p) of the Company Schedule of Exceptions lists all Contracts pursuant to which the Company or any of the Company Subsidiaries has any current development or other professional services obligations, the rates and payment terms applicable thereto, and a summary of the Company's and such Company Subsidiaries' remaining commitments and milestones or other delivery or time for performance requirements thereunder. Neither the Company nor any of the Company Subsidiaries has entered into any Contract to provide custom coding, new features or functionality or other custom development with respect to any Product.

(q) Neither the Company nor any of the Company Subsidiaries has (i) transferred ownership of, or granted any exclusive license with respect to, any Company Intellectual Property owned or purported to be owned by the Company or any of the Company Subsidiaries to any other Person or (ii) granted any customer the right to use any Product or portion thereof on anything other than a non-exclusive basis or for anything other than such customer's internal business purposes.

(r) No funding, facilities or personnel of any educational institution or Governmental Authority were used, directly or indirectly, to develop or create, in whole or in part, any Company Intellectual Property owned or purported to be owned by the Company or any of the Company Subsidiaries, including any portion of a Product. Neither the Company nor any of the Company Subsidiaries is or has ever been a member or promoter of, or a contributor to, any industry standards body or similar organization that could compel the Company or such Company Subsidiary to grant or offer to any third party any license or right to such Company Intellectual Property. Section 3.15(r)(1) of the Company Schedule of Exceptions sets forth a complete and accurate list of (i) any and all grants and similar funding received by the Company or any of the Company Subsidiaries (including their respective predecessors), including the name of the granting authority and the status and material terms thereof and (ii) any standards bodies or similar organizations of which the Company or any of the Company Subsidiaries (or any of their predecessors) has ever been a member, promoter or contributor. To the Knowledge of the Company, no current or former employee, consultant or independent contractor of the Company or any of the Company Subsidiaries who was involved in, or contributed to, the creation or development of any Company Intellectual Property owned or purported to be owned by the Company or any Company Subsidiary has performed services for any Governmental Authority, for a university, college or other educational institution or research center immediately prior to or during a period of time during which such employee, consultant or independent contractor was also performing services for the Company or any of the Company Subsidiaries. Neither the Company nor any of the Company Subsidiaries has provided Company Intellectual Property to any Governmental Authority, under Contract or otherwise, in any manner that gives such Governmental Authority any additional or different rights than those contained in the Company's standard form license terms attached to Section 3.15(r)(2) of the Company Schedule of Exceptions.

(s) To the Knowledge of the Company, there is no governmental prohibition or restriction on the use of any Company Intellectual Property owned or purported to be owned by the Company or any of the Company Subsidiaries in any jurisdiction in which the Company or any of the Company Subsidiaries currently conducts or has conducted business or on the export or import of any of the Company Intellectual Property from or to any such jurisdiction.

(t) Neither the Company nor any of the Company Subsidiaries has ever agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to any of the Company Intellectual Property or any Intellectual Property that was formerly Company Intellectual Property.

(u) Section 3.15(u)(1) of the Company Schedule of Exceptionslists all Contracts pursuant to which the Company or any of the Company Subsidiaries is obligated to provide maintenance, support or similar services (such Contracts, as supplemented below, are referred to collectively as the "**Maintenance and Support Obligation Agreements**"). All of the Maintenance and Support Obligation Agreements are in all material respects in the form of the agreement identified as the Standard Maintenance Agreement set forth on Section 3.15(u)(2) of the Company Schedule of Exceptions. No Maintenance and Support Obligation Agreement obligates the Company, any of the Company Subsidiaries, Parent, or the Surviving Corporation (or any of their respective Affiliates) after the Effective Time to provide any improvement, enhancement, change in functionality or other alteration to the performance of any Product, other than error corrections and upgrades if and when made available to the Company's customers generally. The versions of the Products currently supported by the Company and the Subsidiaries are set forth on Section 3.15(u)(3) of the Company Schedule of Exceptions. No Maintenance and Support Obligation Agreement obligates the Company or any of the Company Subsidiaries to provide maintenance, support or similar services with respect to any third-party Product (including hardware, Software or code). Neither the Company nor any of the Company Subsidiaries nor any of their Affiliates has granted any other Person the right to furnish support or maintenance services with respect to any Products to any other Person. The Company and each of the Company Subsidiaries are in compliance with and have not breached, violated or defaulted under, or received notice that they have breached, violated or defaulted under any of the terms or conditions of any Maintenance and Support Obligation Agreement. The level of staffing and resources provided currently by the Company and the Company Subsidiaries for the provision of maintenance, support and similar services is sufficient to comply with all obligations arising under each Maintenance and Support Obligation Agreement. Section 3.15(u)(3) of the Company Schedule of Exceptions sets forth each Person (including any customer or partner) that is party to an active Maintenance and Support Obligation Agreement and sets forth: (i) the name of such Person, (ii) the Maintenance and Support Obligation Agreement(s) for such Person and (iii) the annualized support contract value under such Maintenance and Support Obligation Agreement(s) expressed in the local currency under the Maintenance and Support Obligation Agreement.

(v) Section 3.15(v) of the Company Schedule of Exceptions sets forth a list of all Third-Party Hardware, either as set forth in one or more bills o materials, or in a list, setting forth for each such item (i) the name and version of such item, (ii) the name of the owner, supplier and/or licensor of such item, (iii) all licenses and other Contracts pursuant to which the Company or any of the Company Subsidiaries holds or obtains rights to such item, (iv the Product(s), including version numbers, to which such item relates, if any, (v) a description of the nature and function of such item, (vi) whether such item is used internally by or on behalf of the Company or any of the Company Subsidiaries, (vii) whether such item is distributed by or on behal of the Company or any of the Company Subsidiaries (whether on a standalone basis or as an integrated, embedded or bundled component), (viii whether such item is hosted, co-located, or used in connection with hosting, service bureau or in any similar manner by or on behalf of the Company or any of the Company Subsidiaries (whether on a standalone basis or as an integrated, embedded or bundled component), (ix) whether the Company o any of the Company Subsidiaries permits any third party to host, co-locate, or use in connection with hosting, service bureau or in any similar manne such item (whether on a standalone basis or as an integrated, embedded or bundled component), (x) whether such item has been modified by or on behalf of the Company or any of the Company Subsidiaries, (xi) whether such item is used by or on behalf of the Company or any of the Compan Subsidiaries to design, assemble or test any Product or generate code or other material, and if so, a description (consistent with the disclosure requirements under clauses (vi) through (x) above) of the use, modification, hosting and/or distribution of such generated code or other material; (xii) a summary of the Company's and the Company Subsidiaries' payment history in respect of such item, as well as a summary of anticipated future payments in respect of such item, including license fees, renewal fees, maintenance fees, support fees and royalties; (xiii) whether such item is used, held for use or required (or generates code or other material that is used, held for use or required) to satisfy any obligation under any Maintenance and Support Obligation Agreement; (xiv) any rights by a third party to audit or review any financial, license or royalty information, if any, with respect thereto; (xv) whether such item is sole or single sourced and an assessment of the difficulty of replacing the item; (xvi) a description of the impact on the business of the Company if the Company and the Company Subsidiaries could no longer use, access or provide such item to any third party; (xvii whether the Company or any of the Company Subsidiaries has received any notice of planned end-of-life in connection with such item; and (xviii whether there have been any quality failures in connection with such item during the past twelve (12) months, and if so, a description of such failures and the scope of impact, remedial steps taken and planned and current status. For purposes of this Section 3.15(v), "Product" includes any Produc under development. Neither the Company nor any of the Company Subsidiaries has been subjected to an audit of any kind in connection with an license or other Contract pursuant to which the Company or any of the Company Subsidiaries hold or obtain rights to any Third-Party Hardware, nc received any notice of intent to conduct any such audit. All information set forth on Section 3.15(v) of the Company Schedule of Exceptions (including the foregoing items (i)-(xviii)) is true and complete.

(w) The Products that have been commercially released operate and perform materially in accordance with their respective warranty documentation and otherwise as required by the Company and the Company Subsidiaries in connection with their business. In the past three (3) years, there has been nc failure or breakdown of any material Company Technology or Products that has resulted in a material disruption or material interruption in the operation of the business of the Company or any Company Subsidiary. Each of the Company and the Company Subsidiaries has implemente commercially reasonable backup and disaster recover technology and programs consistent with industry practices and Contracts to which it is a party.

(x) All services provided by the Company or any of the Company Subsidiaries to any third Person ("**Services**") were performed in conformity with the terms and requirements of all applicable express and implied warranties, all applicable services Contracts and in all material respects with all applicable Laws. There is no claim pending or, to the Knowledge of the Company, threatened against the Company or any of the Company Subsidiaries relating to any Services or services Contract and, to the Knowledge of the Company, there is no reasonable basis for the assertion of any such claim. Section 3.15(x) of the Company Schedule of Exceptions sets forth all Contracts that obligate the Company or any of the Company Subsidiaries to provide Services after the Agreement Date (the "**Services Agreements**"), whether any Services Agreement contains any fixed price, maximum fee, cap or other provision that provides for payment other than on an unrestricted "time and materials" basis, the applicable fee and rate structure and payment terms for Services provided thereunder, a summary of the Company's and such Company Subsidiaries' remaining commitments and milestones or other delivery or time for performance requirements thereunder, and to the extent such Services Agreement contains a fixed price provision, the Company's budgeted expense to fully perform and complete its obligations thereunder. Neither the Company nor any of the Company Subsidiaries is party to or is bound by any "loss contract" or other Contract (a "**Loss Contract**") where the expected cost to complete the Contract exceeds either (i) the fees and payments to be received pursuant to such Contract or (ii) the Company's budgeted expense with respect thereto, and there is no reasonable basis to conclude that any Contract will become a Loss Contract.

(y) Section 3.15(y) of the Company Schedule of Exceptions identifies all Open Source Materials used in any Products or distributed with or used in the development of Products or from which any Product is derived, describes the manner in which such Open Source Materials are used (such description shall include whether (and, if so, how) the Open Source Materials were modified and/or distributed by the Company or any of the Company Subsidiaries) and identifies the licenses under which such Open Source Materials were used. Section 3.15(y) of the Company Schedule of Exceptions also identifies and describes the Products to which each such item of Open Source Materials applies. The Company and each of the Company Subsidiaries are in material compliance with the material terms and conditions of all licenses for the Open Source Materials. Neither the Company nor any of the Company Subsidiaries has (i) incorporated Open Source Materials into, or combined Open Source Materials with, the Products, (ii) distributed Open Source Materials in conjunction with any Products or (iii) used Open Source Materials, in such a way that, with respect to clauses (i), (ii) or (iii), creates obligations for the Company or any of the Company Subsidiaries with respect to any Company Intellectual Property or grant to any third party any rights under any Company Intellectual Property that require, as a condition of use, modification and/or distribution of Products that other Software incorporated into, derived from or distributed with such Open Source Materials be (A) disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works or (C) be redistributable at no charge. No Product contains, is derived from, is distributed with or is being or was developed using Open Source Materials that is licensed under any terms that otherwise impose any other material limitations, restriction or condition on the right or ability of the Company to use or distribute any Product or to enforce Company Intellectual Property.

(z) Section 3.15(z) of the Company Schedule of Exceptions contains a correct, current, and complete list of all social media accounts used by the Company or any Company Subsidiary in the conduct of the business of such Persons. The Company has provided Parent with all user names and passwords associated with the social media accounts. The Company and Company Subsidiaries have complied with all terms of use, terms of service and other Contracts and all associated policies and guidelines relating to its use of any social media platforms, sites, or services in the conduct of the business of the Company and its Affiliates (collectively, "**Platform Agreements**"). There are no legal actions, audits, or investigations settled, pending, or threatened alleging any breach or other violation of any Platform Agreement by the Company or any Company Subsidiary.

Section 3.16 **Restrictions on Business Activities.** There is no Contract or Order to which the Company or any Company Subsidiary is a party or otherwise binding upon the Company or any Company Subsidiary that has or may reasonably be expected to have the effect of prohibiting, limiting, restricting, or impairing in a material respect any business practice of the Company or any Company Subsidiary, any acquisition or disposition of material property (tangible or intangible) by the Company or any Company Subsidiary, the conduct of business by the Company, as currently conducted, or otherwise limiting in a material respect the freedom of the Company or any Company Subsidiary to engage in any line of business or to compete with any Person.

Section 3.17 **Product Claims.**

(a) The Company has delivered to Parent an accurate form of the Company's customer agreements which contain typical customer warranties with respect to the Company's products and services and the products and services of any of the Company Subsidiaries. There have not been any material deviations from such warranties and none of the employees or agents of the Company or any Company Subsidiary (i) is authorized to undertake obligations to any customer or Person which expands such warranties, or (ii) to the Knowledge of the Company, has made any oral warranty with respect to such products or services of the Company or any Company Subsidiary.

(b) Other than warranty claims for individual Products in the Ordinary Course of Business, none of the Company or any Company Subsidiary has received notice of any claim or complaint or indicating an intention on the part of any Person to bring any claim or complaint, and, to the Knowledge of the Company, no claim or complaint has been made by any Person or is otherwise pending before any Governmental Authority, with respect to any Products (including with respect to any delay, defect, deficiency, or quality) or with respect to the breach of any Contract under which such Products have been licensed, supplied, made available, or otherwise provided. Each Product has been and is in conformity with all applicable contractual commitments, warranties, and specifications in all material respects, and with all applicable Laws in all material respects and does not contain any disabling codes or virus, or material bugs or defects that cannot reasonably be corrected in the Ordinary Course of Business.

Section 3.18 **Privacy and Data Protection.**

(a) Each of the Company and the Company Subsidiaries has complied in all material respects with all applicable international, federal, state, and local laws, rules, regulations, directives and governmental requirements relating in any way to the availability, integrity, security, privacy, or confidentiality of Personal Data (collectively, "**Privacy Laws**"), including the Health Insurance Portability and Accountability Act of 1996 as amended and all implementing regulations and including with respect to the privacy of Company employees and of users of the Company's and the Company Subsidiaries' Products, services, and websites. For purposes of this Section 3.18, "**Personal Data**" means any information relating to an identified or identifiable individual, whether such data is in individual or aggregate form and regardless of the media in which it is contained; and "**Process**" or "**Processing**" means any operation or set of operations performed upon Personal Data or confidential information, whether or not by automatic means, such as creating, collecting, procuring, obtaining, accessing, recording, organizing, storing, adapting, altering, retrieving, consulting, using or disclosing, disseminating or destroying the data.

(b) Each of the Company and the Company Subsidiaries have implemented and maintain a comprehensive written enterprise privacy and data protection program (a "**Data Protection Program**" or the "**Data Protection Programs**," as appropriate) that complies with all Privacy Laws in all material respects and incorporates industry best practices. All Data Protection Programs include appropriate administrative, technical, and physical safeguards designed to (i) ensure the availability, integrity, security, privacy, and confidentiality of Personal Data and confidential information, (ii) protect Personal Data and confidential information against any anticipated threats or hazards to the availability, integrity, security, privacy, and confidentiality of Personal Data and confidential information, and (iii) protect against any actual or suspected unauthorized Processing, loss, disclosure, or acquisition of or access to any Personal Data or confidential information (a "**Data Security Incident**"). At a minimum, the Data Protection Programs include the following safeguards: Regular comprehensive vulnerability assessments and penetration testing and appropriate adjustments to the Data Protection Programs in light of those tests and assessments; appropriate secure access controls; appropriate authentication controls; periodic risk assessments and appropriate adjustments to the Data Protection Programs in light of those assessments; appropriate training and awareness programs; appropriate encryption of data in transit and at rest; secure disposal of Personal Data and confidential information; and appropriate facility security measures.

(c) Since the Company Balance Sheet Date (i) there has been no loss, damage, to the Knowledge of the Company, theft, breach or unauthorized or accidental access, acquisition, use, disclosure or other Data Security Incident involving Personal Data or confidential information maintained by or on behalf of the Company or any Company Subsidiary, nor any complaints or claims asserted by any Person (including any Government Authority) related to the Processing of Personal Data or confidential information by the Company or any Company Subsidiary or by another Person (including any Company or Company Subsidiary vendor) Processing Personal Data or confidential information on behalf of the Company or any Company Subsidiary, and (ii) to the Knowledge of the Company, there has been no legal proceeding brought by any Person that any product or service of the Company or any Company Subsidiary was the cause of, or a contributing cause of, or facilitated, any Data Security Incident involving Personal Data or confidential information maintained by any other Person, nor a legal proceeding brought by any Person that the Company or any Company Subsidiary was otherwise liable for any Data Security Incident or violation of any Privacy Law. Each of the Company and the Company Subsidiaries has made all necessary disclosures to, and obtained any necessary consents from, users, customers, employees, contractors, and other Persons as required by applicable Privacy Laws, and has filed any required registrations with the relevant data protection authorities.

(d) The Company's and the Company Subsidiaries' information technology hardware and Software does not (i) contain any defect, vulnerability, or error (including any defect, vulnerability, or error relating to or resulting from the display, manipulation, Processing, storage, transmission, or use of any data) that materially adversely affects Personal Data or confidential information or the use, functionality, or security, or performance of the Company's or the Company Subsidiaries' information technology hardware and Software; (ii) fail to materially comply with any applicable warranty or other contractual commitment relating to the Personal Data or confidential information or the use, functionality, security, or performance of the Company's or the Company Subsidiaries' information technology hardware and software; or (iii) contain any malicious code designed or intended to perform any of the following functions: (1) disrupting, disabling, harming or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device; or (2) damaging, destroying, disclosing, or misusing any data (including Personal Data and confidential information) or file. The Company and all Company Subsidiaries maintain appropriate safeguards designed to prevent occurrence of the defects, vulnerabilities, errors, malicious code, and noncompliance referenced in the preceding sentence.

Section 3.19 **Tax Matters.**

(a) The Company and each of the Company Subsidiaries (i) have timely filed (taking into account any extensions of time in which to file properly requested from and granted by a Governmental Authority) all Tax Returns and all such filed Tax Returns are true, correct and complete in all material respects and were prepared in material compliance with all applicable Laws and (ii) have timely paid, or have adequately reserved (in accordance with GAAP) on the most recent financial statements contained in the Financial Statements for the payment of, all Taxes required to be paid (in addition to any reserve for deferred Taxes to reflect timing differences between book and Tax items or carryforwards) for all Taxable periods and portions thereof through the Company Balance Sheet Date and since then, the Company and the Company Subsidiaries have not incurred any liability for Taxes (i) from extraordinary gains or losses within the meaning of GAAP, (ii) outside the Ordinary Course of Business, or (iii) otherwise inconsistent with past custom and practice.

(b) No deficiencies for any Taxes have been asserted in writing or assessed in writing, or to the Knowledge of the Company, proposed, against the Company or any of the Company Subsidiaries that are not subject to adequate reserves on the Financial Statements as adjusted in the Ordinary Course of Business through the Effective Time, nor has the Company or any of the Company Subsidiaries executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax. There are no Liens (other than Permitted Liens) on any of the assets of the Company or the Company Subsidiaries for Taxes. No power of attorney granted by the Company or any of the Company Subsidiaries with respect to any Taxes is currently in force.

(c) No audit of any Tax Return or Taxes of the Company or any of the Company Subsidiaries is presently in progress, nor has the Company or any of the Company Subsidiaries been notified in writing of any request for such an audit.

(d) Neither the Company nor any of the Company Subsidiaries has participated, been a party to, or a material advisor with respect to a "reportable transaction" within the meaning of Code Section 6707A(c)(1) or U.S. Treasury Regulation § 1.6011-4(b)(1) (or any similar provision of the Tax Laws of any other jurisdiction).

(e) No extension of time within which to file any Tax Return required to be filed by the Company or any of the Company Subsidiaries is currently in effect.

(f) No action, suit, investigation, claim or assessment is pending or to the Knowledge of the Company threatened with respect to Taxes for which the Company or any of the Company Subsidiaries may be liable.

(g) No unresolved claim has been made by a Governmental Authority in a jurisdiction where the Company or any Company Subsidiary does not pay Taxes or file Tax Returns asserting that the Company or any Company Subsidiary, respectively, is or may be subject to Taxes assessed by such jurisdiction and, to the Knowledge of the Company, no basis exists for such a claim.

(h) Neither the Company nor any Company Subsidiary is bound by any Tax indemnity, Tax sharing agreement or Tax allocation agreement or arrangement or any similar agreement with respect to Taxes, nor is there any other reason, as transferee or successor, by operation of Law or otherwise, that the Company or any of the Company Subsidiaries will have, as of the Closing Date, any liability for Taxes of any other entity.

(i) There are no Tax rulings, requests for rulings, private letter rulings, technical advice memoranda, similar agreement, or closing agreements relating to Taxes for which the Company or any Company Subsidiary is reasonably expected to be liable that would reasonably be expected to affect the Company's or any Company Subsidiary's liability for Taxes for any Post-Closing Taxable Period.

(j) Neither the Company nor any of the Company Subsidiaries will be required to include or accelerate the recognition of any item in income, or exclude or defer any deduction or other tax benefit, in each case in any taxable period (or portion thereof) after Closing, as a result of any change in method of accounting, closing agreement (including a "closing agreement" under Section 7121 of the Code), intercompany transaction, installment sale or open transaction disposition governed by Section 453 of the Code (or any similar provision of state, local, or foreign Law), the receipt of any prepaid amount, or election pursuant to Section 965(h) of the Code, in each case, made, taken, or entered into prior to or in connection with Closing. The Company does not have any "long-term contracts" that are subject to a method of accounting provided for in Section 460 of the Code. The Company has not made an election (including a protective election) pursuant to Section 108(i) of the Code.

(k) All Taxes that the Company or any Company Subsidiary is required by Law or Contract to withhold or to collect from each payment made to any employee, contractor, consultant, shareholder or other person have been duly withheld and collected and have been duly and timely paid to the appropriate Governmental Authority. The Company and the Company Subsidiaries have complied in all material respects with all record keeping and reporting requirements in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other Person.

(l) Neither the Company nor any Company Subsidiary is or has been a member of any consolidated, unitary, combined or affiliated group within the meaning of Section 1504 of the Code (or any similar provision of Law relating to Taxes) nor has any liability for Taxes of any Person (other than the Company or any of the Company Subsidiaries) under U.S. Treasury Regulation § 1.1502-6 (or any comparable provision of Law relating to Taxes).

(m) The Company is a resident for Tax purposes of the United States and is not subject to Tax in any other jurisdiction by virtue of having employees, a permanent establishment, any other place of business in such jurisdiction or by virtue of exercising management and control in such jurisdiction.

(n) Neither the Company nor any Company Subsidiary has been at any time a "United States real property holding corporation" for purposes of Section 897 and 1445 of the Code.

(o) During the last three (3) years, neither the Company nor any Company Subsidiary has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355 of the Code (or any similar provision of Law relating to Taxes).

(p) All Taxes that the Company or any of the Company Subsidiaries is required by Law or Contract to collect or assess from each payment received by a customer or other Person have been duly assessed or collected and have been duly and timely paid to the appropriate Governmental Authority. The Company and the Company Subsidiaries have complied with all record keeping and reporting requirements in connection with such amounts.

(q) Without regard to this Agreement, neither the Company nor any of the Company Subsidiaries has undergone an "ownership change" within the meaning of Section 382 of the Code.

Section 3.20 **Employee Plans.**

(a) Section 3.20(a) of the Company Schedule of Exceptions sets forth a complete and accurate list of each (i) "employee benefit plan" (as defined in Section 3(3) of ERISA), whether or not subject to ERISA and (ii) other bonus, commissions, stock option, restricted stock unit, stock purchase or other equity-based, benefit, incentive compensation, profit sharing, savings, pension, retirement, disability, vacation (entitlement and accrual), sick days (entitlement and accrual), deferred compensation, severance, termination, retention, change of control, golden parachute, vacation, meal subsidies, dependent care, medical care, employee assistance program, education or tuition assistance, welfare, or post-employment welfare plan, program, agreement, contract, policy or arrangement and each other material employee benefit plan, program, agreement, contract, written and unwritten policy or binding arrangement (whether or not in writing) maintained or contributed to by the Company or any of the Company Subsidiaries or any other trade or business (whether or not incorporated) that is treated as a single employer with the Company or any of the Company Subsidiaries under Section 414(b), (c), (m) or (o) of the Code or Sections 4001(a) (14) or 4001(b) (1) of ERISA (an "**ERISA Affiliate**"), or with respect to which the Company or any ERISA Affiliate has any Liability (the "**Material Employee Plans**" and, together with any other material employment agreement with respect to which the Company or one of the Company Subsidiaries is a party, the "**Employee Plans**").

(b) With respect to each Employee Plan, to the extent applicable, the Company has made available to Parent prior to the Effective Date complete and accurate copies of (i) each Employee Plan; (ii) the three most recent annual reports on Form 5500 required to have been filed with the IRS for each Employee Plan, including all schedules thereto; (iii) the most recent determination letter or opinion letter, if any, issued by the IRS for any Employee Plan that is intended to qualify under Section 401(a) of the Code; (iv) the plan documents, summary plan descriptions and any amendments thereto, or a written description of the terms of any Employee Plan that is not in writing; (v) all material communications provided to Employee Plan participants; (vi) any notices to or from the IRS or the United States Department of Labor relating to any compliance issues in respect of any such Employee Plan; (vii) any related trust agreements, insurance contracts, insurance policies or other documents of any funding arrangements; (viii) with respect to each Employee Plan that is maintained in any non-U.S. jurisdiction, to the extent applicable, (A) the most recent annual report or similar compliance documents required to be filed with any Governmental Authority with respect to such plan and (B) any document comparable to the determination letter reference under clause (iii) above issued by a Governmental Authority relating to the satisfaction of Law necessary to obtain the most favorable tax treatment; and (ix) all related custodial agreements, trust agreements, insurance policies (including fiduciary liability insurance covering the fiduciaries of the Employee Plan), administrative services and similar agreements, and investment advisory or investment management agreements, if any.

(c) No Material Employee Plan is (i) a "defined benefit plan" (as defined in Section 3(35) of ERISA), whether or not subject to ERISA; (ii) "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA); (iii) a "multiple employer plan" (as defined in Section 4063 or 4064 c ERISA); or (iv) subject to Section 302 of ERISA, Section 412 of the Code or Title IV of ERISA. None of the Company, any of the Comp Subsidiaries, any officer of the Company or any of the Company Subsidiaries or any of the Employee Plans which are subject to ERISA, any trus created thereunder or any trustee or administrator thereof, has engaged in a non- exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) or to the Knowledge of the Company, any other breach of fiduciary responsibility that would reasonabl be expected to subject the Company, any ERISA Affiliate or any officer of the Company or any of the ERISA Affiliates to any material tax or penalty on prohibited transactions imposed by such Section 4975 of the Code or to any liability under Section 409 or 502 of ERISA.

(d) Each Material Employee Plan has been maintained, operated and administered in compliance in all material respects with its terms and all applicable Law including the applicable provisions of ERISA and the Code. All contributions, premiums or other payments that are due have been paid on a timely basis with respect to each Employee Plan.

(e) There are no Legal Proceedings pending or, to the Knowledge of the Company, threatened on behalf of or against any Employee Plan, the assets o any trust under any Employee Plan, or the plan sponsor, plan administrator or any fiduciary or any Employee Plan with respect to the administration or operation of such plans, other than (i) routine claims for benefits that have been or are being handled through an administrative claims procedure; and (ii) Legal Proceedings that have not resulted in and would not reasonably be expected to result in, individually or in the aggregate, material Liabilities to the Company and the Company Subsidiaries (taken as a whole).

(f) With respect to each Employee Plan that is a "welfare benefit plan" within the meaning of Section 3(1) of ERISA (i) no such Employee Plan provide (or could require the Company or any of the Company Subsidiaries to provide) post-employment welfare benefits to former employees of the Company or its ERISA Affiliates, other than pursuant to Section 4980B of the Code or any similar Law; (ii) no such Employee Plan is unfunded funded through a "welfare benefits fund" (as such term is defined in Section 419(e) of the Code); (iii) each such Employee Plan that is a "group healt plan" (as such term is defined in Section 5000(b)(1) of the Code), complies with the applicable requirements of Section 4980B(f) of the Code; and (iv each such Employee Plan (including any such Employee Plan covering retirees or other former employees) may be amended or terminated withou material liability to the Company and the Company Subsidiaries on or at any time after the Effective Time.

(g) Each Employee Plan that is intended to be "qualified" under Section 401 of the Code may rely on a prototype opinion letter or has received a favorable determination letter from the IRS to such effect (or there remains sufficient time for the Company of the Company Subsidiaries to file an applicatio for such determination letter from the IRS) and no such determination letter opinion has been revoked nor, to the Knowledge of the Company, nc material fact, development or event has occurred or exists since the date of such determination or opinion letter that would reasonably be expected to adversely affect the qualified status of any such Material Employee Plan, nor has any such Material Employee Plan been amended since the date o its most recent determination or opinion letter or application therefor in any respect that would adversely affect its qualification or materially increase its costs since the beginning of the most recent plan year.

(h) Other than payments that may be made to the Persons listed in Section 3.20(h) of the Company Schedule of Exceptions (the "**Primary Company Executives**"), any amount or other entitlement that could be received (whether in cash or property or the vesting of property) as a result of the Transactions (alone or in conjunction with any other event, including any termination of employment) by any current or former employee, officer, director or other service provider of the Company or any of its Affiliates under any employment, severance or termination agreement, other compensation arrangement or Employee Plan or otherwise: (i) would not be characterized as an "excess parachute payment" (as defined in Sectior 280G(b)(1) of the Code) (a, "**280G Payment**") and would not result in the imposition of an excise Tax under Section 4999 of the Code; and (ii) would not be subject to any deduction limitation under Section 162(m) of the Code. The Company is not a party to, nor is it otherwise obligated under, any contract, agreement, plan or arrangement that provides for the gross-up of any Tax, including any excise Tax imposed by Section 4999 or 409A of the Code. Each Employee Plan that is a "non-qualified deferred compensation plan" (as such term is defined in Section 409A(d)(1) of the Code and th applicable guidance issued thereunder), has been maintained, in form and operation in compliance with the requirements of Section 409A of the Code and applicable guidance issued thereunder.

(i) Other than as set forth in Section 3.20(i) of the Company Schedule of Exceptions, neither the execution or delivery by the Company of this Agreemer and the Ancillary Agreements to which it is a party nor the consummation by the Company of the Transactions (alone, or in conjunction with any other event, including any termination of employment) will (i) result in any payment or benefit becoming due or payable, or required to be provided, to any current or former employee, officer, director or other service provider of the Company or any of the Company Subsidiaries; (ii) increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such current or former employee, officer, director or other service provider; (iii) result in the acceleration of the time of payment, vesting, forfeiture or funding of any such benefit or compensation (other than with respect to grants of restricted shares of Company Common Stock which may vest in accordance with their terms effective as of the Closing); o (iv) result in any breach or violation of, or a default under, or limit the Company's right to amend, modify or terminate, any Employee Plan.

(j) Each Employee Plan that is a "nonqualified deferred compensation plan" (as defined under Section 409A(d)(1) of the Code) has been operated and administered in compliance with, and is in documentary compliance with, Section 409A of the Code and the applicable treasury regulations and other official guidance promulgated thereunder. No compensation payable by the Company or any of the Company Subsidiaries has been reportable as nonqualified deferred compensation in the gross income of any individual or entity, and subject to an additional tax, as a result of the operation of Section 409A of the Code.

(k) Except as required by applicable Law or the terms of any Employee Plans as in effect on the Effective Date, neither the Company nor any of the Company Subsidiaries has any plan or commitment to amend in any material respect or establish any new Employee Plan or to continue or materially increase any benefits under any Employee Plan.

(l) Each Employee Plan to which the Patient Protection and Affordable Care Act and its companion bill, the Health Care and Education Reconciliation Act of 2010 (collectively, the "**ACA**") applies is in compliance in all respects with ACA in all material respects, and the rules and regulations promulgated thereunder and no federal income Taxes or penalties have been imposed or are due for noncompliance with ACA or for failure to provide minimum coverage to employees

Section 3.21 **Labor and Employment Matters.**

(a) Section 3.21(a) of the Company Schedule of Exceptions includes a list identifying all employees of each of the Company and the Company Subsidiaries (including any employee who is on a leave of absence of any nature) (collectively, the "**Company Employees**"), which list correctly reflects, in all material respects, the following information regarding each Company Employee: name; job title; date of hire; employer; primary work location; current salary and any other forms of compensation payable, including compensation payable pursuant to bonus, deferred compensation or commission arrangements; full-time or part-time status; exempt or non-exempt status under the Fair Labor Standards Act; vacation entitlement and accrued vacation or paid time-off balance; travel and/or car allowance; sick leave entitlement and accrued sick leave balance; and recuperation pay entitlement and accrual, pension entitlements and provident funds (including manager's insurance, pension fund, education fund and health fund), their respective contribution rates for each component (e.g., severance component, pension savings and disability insurance) and the salary basis for such contributions, severance entitlements, an indication of whether such arrangement has been applied to such person from the commencement date of their employment and on the basis of their entire salary including other compensation (e.g., commission); and if such Company Employee is on a leave of absence, the type of leave (e.g., disability, workers compensation, military, family, medical or other leave protected by applicable Law) and the anticipated date of return to service, provided that, to the extent applicable privacy or data protection Laws would prohibit the disclosure of certain Personal Data without the individual's consent, Section 3.21(a) of the Company Schedule of Exceptions shall specify such legal prohibition and shall provide such information in de-identified form in compliance with applicable Laws. Other than as required by Law, no Company Employee is entitled to additional material benefits beyond those set forth on Section 3.21(a) of the Company Schedule of Exceptions. Other than in the Ordinary Course of Business, no commitment, promise or undertaking has been made by the Company or any Company Subsidiary with respect to any change in the compensation payable to any Company Employee in the last one hundred eighty (180) days.

(b) All of the Company Employees other than those whose employment agreement otherwise sets forth as disclosed herein are terminable at will. To the Knowledge of the Company, no officer, Key Employee or group of Company Employees intends to terminate his, her or their employment with the Company or the applicable Company Subsidiary, nor has any such officer, Key Employee, or group of Company Employees threatened or expressed any intention to do so. To the Knowledge of the Company, no officer, director, Company Employee, or independent contractor of the Company, or any Company Subsidiary is in material violation of any term of any employment, consulting, independent contractor, non-disclosure, non-competition, inventions assignment, or any other contract with a former employer or service recipient relating to the right of any such officer, director, Company Employee, or independent contractor to be employed or engaged by the Company or any Company Subsidiary because of the nature of the business conducted or proposed to be conducted by the Company or any Company Subsidiary or because of the use of trade secrets or proprietary information of others.

(c) Neither the Company nor any of the Company Subsidiaries is, nor has been within the immediately preceding five (5) years, a party to any collective bargaining agreement, works council agreement, workforce agreement or labor union Contract applicable to any Company Employees. To the Knowledge of the Company, (i) no Company Employees are represented by any labor union, labor organization, works council, worker center or other representative body in connection with their employment by or service to the Company or the Company Subsidiaries, and (ii) there is no organizational effort presently being made or threatened by or on behalf of any labor union, labor organization, works council, worker center or other representative body with respect to the Company Employees. In the immediately preceding five (5) years, there has been no strike, slowdown, work stoppage lockout or other material disruption of labor peace in connection with any of the Company Employees. No consent of any labor union is required to consummate the Merger or the Transactions. There is no obligation to inform, consult or obtain consent, whether in advance or otherwise, of any works council, employee representatives or other representative bodies in order to consummate the Merger or the Transactions.

(d) Each of the Company and the Company Subsidiaries has complied in all material respects with applicable Laws and Contracts relating to the employment of labor, employment practices, and terms and conditions of employment, including but not limited to applicable Laws regarding minimum wage, overtime compensation, payment of wages, days of work and rest, leaves of absence, vacation or sick pay, employment discrimination, disability accommodation, workers' compensation, harassment, immigration, and occupational health and safety. Neither the Company nor any of the Company Subsidiaries has engaged in any unfair labor practice or other unlawful employment practice, and, to the Knowledge of the Company, there are no complaints, claims, charges or investigations of any unfair labor practice or other unlawful employment practice pending, threatened or planned against the Company or any of the Company Subsidiaries before the National Labor Relations Board, the Equal Employment Opportunity Commission, any state or federal Department of Labor, the Occupational Safety and Health Administration, or any other Governmental Authority. To the Knowledge of the Company, there are no controversies pending or threatened between any of the Company or the Company Subsidiaries, on the one hand, and any of the current or former Company Employees or other service providers, on the other hand, which controversies, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect.

(e) Within the past five (5) years, neither the Company nor any Company Subsidiary has implemented any mass layoff, plant closing, or other termination of employees that could trigger obligations under the Worker Adjustment and Retraining Notification Act or any similar state or local law.

(f) Notwithstanding and without limiting the foregoing clauses of this Section 3.21:

(i) Other than as set forth in Section 3.21(f)(i) of the Company Schedule of Exceptions, the Company and any Company Subsidiaries' obligations t provide statutory or contractual severance pay are fully funded by the Company or the Company Subsidiaries (through insurance or otherwise), or a book reserve account has been established (in each case sufficient to procure or provide for the accrued benefit obligations in accordance with U.S. GAAP).

(ii) All amounts that the Company or any Company Subsidiary is legally or contractually required either (1) to deduct from the Company Employees compensation or to transfer to such Company Employees' pension or provident, life insurance, incapacity insurance, continuing education fund or other similar funds or (2) to withhold from the Company Employees' compensation and benefits and to pay to any Governmental Authority as required by applicable Law have, in each case, been duly deducted, transferred, withheld, paid and reported in all respects.

(iii) Neither the Company nor any Company Subsidiary has engaged any employees or independent contractors whose employment would require special licenses, permits or other authorization of a Governmental Authority.

(iv) There are no material unwritten policies, practices or customs of the Company or any Company Subsidiary which, by extension, could reasonably be expected to entitle employees to material benefits in addition to what they are entitled by Law or Contract (including, without limitation, unwritten customs or practices concerning bonuses, the payment of severance pay when it is not legally required, prior advance notice periods and accrued vacation days), other than those included in the Employee Plans. To the Knowledge of the Company, and there are no customs or customary practices regarding employees that could be deemed to be binding on the Company or any of the Company Subsidiaries.

(g) Each person who has performed services for the Company or a Company Subsidiary in the preceding five (5) years and who has been treated as an independent contractor (whether referred to as independent contractor, consultant, sub-contractor, freelancer, or any other title) has been properly classified as such for purposes of the Code and all other applicable Laws. Neither the Company nor any Company Subsidiary has incurred, and to the Knowledge of the Company, there exists no circumstances under which the Company or a Company Subsidiary could incur, any liability arising from the misclassification of employees as independent contractors.

(h) In its contracts with its independent contractors, consultants, sub-contractors and/or freelancers, the Company has included provisions reasonably designed to protect its rights against possible claims for reclassification of any of the aforementioned as employees of the Company or the Company Subsidiaries or for entitlement to rights of an employee vis-à-vis the Company (or Company Subsidiary), including but not limited to, rights to minimum wages or overtime wages, severance pay, vacation pay, sick leave, or other employee-related benefits.

Section 3.22 **Permits.** The Company and the Company Subsidiaries have, since the Company Balance Sheet Date, complied, and are currently in materia compliance with, the terms of, and validly hold, all material permits, licenses, authorizations, consents, approvals and franchises from Governmental Authorities required to conduct their businesses as currently conducted ("**Permits**"). Except for matters that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) neither the Company nor any Company Subsidiary has received written notice of any Legal Proceeding relating to (1) any actual, alleged, possible or potential violation of, or failure to comply with, any term or requirement of any such Permit or (2) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination, nonrenewal or modification of any such Permit; (ii) to the Knowledge of the Company, no event has occurred and no circumstance exists that (with or without notice or lapse of time, or both) (1) constitute, or would reasonably be expected to result in (directly or indirectly), a violation of or failure to comply with, any term or requirement of any Permit or (2) would, or would reasonably be expected to, result in (directly or indirectly) the revocation, withdrawal, suspension, cancellation, termination, nonrenewal or modification of any Permit; and (iii) all applications required to have been filed for the renewal of each Permit have been duly and timely filed with the appropriate Governmental Authority, and all other filings required to have been made with respect to each Permit have been duly and timely made with the appropriate Governmental Authority.

Section 3.23 **Compliance with Laws; FCPA Matters.**

(a) The Company and the Company Subsidiaries are, and have been at all times since the Company Balance Sheet Date, in compliance in all materia respects with all Laws applicable to the Company and the Company Subsidiaries or their respective assets. Neither the Company nor any of the Company Subsidiaries has received any written communication since the Company Balance Sheet Date from a Governmental Authority or any other Person that alleges that the Company or any of the Company Subsidiaries is not in compliance in any material respect with any Law.

(b) Neither the Company, the Company Subsidiaries nor, to the Knowledge of the Company, any of their respective directors, officers, employees, agents or distributors or any other Person acting on behalf of the Company or any of the Company Subsidiaries has, in the course of their actions for or on behalf of the Company or the Company Subsidiaries, (i) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 197 (the "**FCPA**"), (ii) violated or is in violation of any applicable Law enacted in any jurisdiction in connection with or arising under the OECD Convention Combating Bribery of Foreign Public Officials in International Business Transactions (the "**OECD Convention**"), (iii) made, offered to make, promised to make or authorized or ratified the payment or giving of, directly or indirectly, any bribe, rebate, payoff, influence payment, kickback or other unlawful payment or gift of money or anything of value prohibited under any applicable Law addressing matters comparable to those addressed by the FCPA or the OECD Convention implementing legislation concerning such payments or gifts in any jurisdiction (any such payment, a "**Prohibited Payment**"), (iv) to the Knowledge of the Company, been subject to any investigation by any Governmental Authority with regard to any Prohibited Payment, or (v) violated or is in violation of any other Laws regarding use of funds for political activity or commercial bribery.

(c) None of the Company, any of the Company Subsidiaries or, to the Knowledge of the Company, any director, officer, agent, employee, affiliate or representative of the Company or any of the Company Subsidiaries is currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control, the United Nation Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority.

Section 3.24 **Environmental Matters.**

(a) The Company and the Company Subsidiaries are in material compliance with all applicable Environmental Laws and neither the Company nor an Company Subsidiary has been notified (in writing or otherwise) in the past three (3) years, whether from a Governmental Authority, citizens group employee or otherwise, regarding an actual or alleged noncompliance with or violation of any Environmental Law, or any liability or potential liability for investigation costs, cleanup costs, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorney fees under Environmental Law.

(b) To the Knowledge of the Company, there are no circumstances that may prevent or interfere with the compliance of the Company or of any of the Company Subsidiaries with any Environmental Law in the future.

(c) Neither the Company nor any Company Subsidiary is a party to or is the subject of any pending or, to the Knowledge of the Company, threatened Legal Proceeding alleging any Liability or responsibility under or noncompliance with any Environmental Law. Neither the Company nor any Compan Subsidiary is subject to any Order by any Governmental Authority imposing any Liability or obligation under any Environmental Law. No site o premises currently owned, leased, controlled or operated by the Company or any of the Company Subsidiaries is listed or, to the Knowledge of the Company, is currently proposed for listing on the National Priorities List or the Comprehensive Environmental Response, Compensation, and Liabilit Information System, both as maintained under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**"), or on any comparable state governmental lists. Neither the Company nor any Company Subsidiary has received written notification within the pas three (3) years of any potential responsibility or liability of the Company or any Company Subsidiary pursuant to the provisions of (i) CERCLA, (ii) an similar federal, state, local, foreign or other Environmental Law, or (iii) any Order issued pursuant to the provisions of any such Environmental Law.

(d) The Company and the Company Subsidiaries have obtained all Permits required by Environmental Laws necessary to enable them to conduct the respective businesses as currently conducted and are in compliance with such Permits.

(e) The Company has furnished to Parent copies of all environmental audits and risk and site assessments in the Company's possession, if any, relating to compliance with Environmental Laws, management of Hazardous Materials, or the environmental condition of properties presently or formerly owned operated, or leased in connection with the business of the Company and the Company Subsidiaries.

Section 3.25 **Litigation.**

(a) (i) There is no Legal Proceeding pending or, to the Knowledge of the Company, threatened, against the Company, any of the Company Subsidiaries o any of the respective properties of the Company or any of the Company Subsidiaries and (ii) to the Knowledge of the Company, no event has occurred, and no claim, dispute or other condition or circumstance exists, that will, or that would reasonably be expected to, give rise to or serve as a basis for the commencement of any such Legal Proceeding.

(b) The Company has provided or made available to Parent prior to the Effective Date all pleadings and material written correspondence related to any Legal Proceeding involving the Company or any Company Subsidiary, all insurance policies and material written correspondence with brokers and insurers related to such Legal Proceeding and other information material to an assessment of such Legal Proceeding. The Company has an insurance policy or policies that is expected to cover all Liabilities related to any such Legal Proceedings and has complied with the requirements of such insurance policy or policies to obtain coverage with respect to such Legal Proceedings under such insurance policy or policies.

(c) None of the Company or any officer or other Key Employee of the Company or any Company Subsidiary is subject to any Order that prohibits th Company or such officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of the Company or any Company Subsidiary or to any material assets owned or used by the Company or any Company Subsidiary.

Section 3.26 **Insurance.**

(a) The Company has made available to Parent prior to the Effective Date accurate and complete copies of all insurance policies and all material self insurance programs and arrangements relating to the business, assets, liabilities and operations of the Company and each of the Company Subsidiaries and Section 3.26(a) of the Company Schedule of Exceptions sets forth a true and complete list of all insurance policies maintained with respect to the Company or any of the Company Subsidiaries, together with the most recent annual premiums paid by the Company and each of the Company Subsidiaries with respect to such insurance, deductibles, period, carriers, the liability limits for each such policy and identifies which insurance policies are "occurrence" or "claims made" and which Person is the policy holder.

(b) As of the Effective Date, each of the Company and the Company Subsidiaries is, and continually since the later of the Company Balance Sheet Da and the date of acquisition by the Company (in the case of a Company Subsidiary) has been, insured by insurers reasonably believed by the Company to be of recognized financial responsibility and solvency, against such losses and risks and in such amounts as are customary in the businesses in which they are engaged.

(c) With respect to each such insurance policy listed on Section 3.26(a) of the Company Schedule of Exceptions: (i) the policy is legal, valid, binding and enforceable (subject to the Enforceability Exceptions) in accordance with its terms and, except for policies that have expired under their terms in the ordinary course, is in full force and effect, (ii) neither the Company nor any Company Subsidiary is in material breach or default thereof (including any such breach or default with respect to the payment of premiums or the giving of notice), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification, under the policy, and (iii) to the Knowledge of the Company, no insurer on the policy has been declared insolvent or placed in receivership, conservatorship or liquidation.

(d) At no time subsequent to the Company Balance Sheet Date has the Company or any of the Company Subsidiaries (i) received notice or othe communication from any of its insurance carriers regarding any actual or possible cancellation or invalidation of any insurance policy or (ii) received notice from any of its insurance carriers that any insurance premiums currently in effect with respect to its existing insurance policies will be subject to increase in an amount materially disproportionate to the amount of the increases in the amount of coverage with respect thereto or that any current insurance coverage will not be available in the future, other than as a result of the Transactions, substantially on the same terms as are now in effect. There is no pending material claim by the Company or any Company Subsidiary under any insurance policy. All information provided to insurance carriers (in applications and otherwise) on behalf of the Company and each of the Company Subsidiaries is accurate and complete. The Company and each of the Company Subsidiaries have provided timely written notice to the appropriate insurance carrier(s) of each Legal Proceeding pending or threatened against the Company or any Company Subsidiary, and no such carrier has issued a denial of coverage or a reservation of rights with respect to any such Legal Proceeding, or informed the Company or any Company Subsidiary of its intent to do so.

Section 3.27 **Related Party Transactions.** Other than as disclosed herein, there are no direct or indirect material transactions, agreements, arrangements or understandings between the Company or any of the Company Subsidiaries, on the one hand, and any current or former director, executive officer or employee of the Company or any Company Subsidiary or any of his or her immediate family member, or any holder of five percent (5%) or more of the outstanding Company Shares or any of their Affiliates (each, a "**Related Party**"), on the other hand. As of the Effective Date, to the Knowledge of the Company, no Related Party has made any claim against the Company or any Company Subsidiary. Each material transaction between the Company or any Company Subsidiary, on the one hand, and a Related Party, on the other hand, has been authorized by all necessary corporate action on the part of the Company or such Company Subsidiary.

Section 3.28 **Anti-Takeover Statutes.** Neither the Company nor any of the Company Subsidiaries is bound by or has in effect any "poison pill" or similar shareholder rights plan.

Section 3.29 **Accounts Receivable.** All accounts receivable of the Company and the Company Subsidiaries represent valid obligations arising from bona fide sales actually made or services actually performed by the Company or the Company Subsidiaries. There is no contest, claim, defense or right of setoff, other than returns in the Ordinary Course of Business, under any Contract with any account debtor of an account receivable relating to the amount or validity of such account receivable.

Section 3.30 **Brokers.** No agent, broker, finder or investment banker is entitled to any brokerage, finder's or similar fee or commission from the Company or the Company Securityholders in connection with the Transactions based upon arrangements made by or on behalf of the Company or any Company Securityholder.

Section 3.31 **Information Statement.** Subject to Section 4.05, the information contained in or incorporated by reference in any materials provided by the Company to the Company Shareholders in connection with soliciting and obtaining the Company Shareholder Approval (the "**Information Statement**") will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which it is made, not misleading at the date it is first mailed to the Company Shareholders and at the time of the Company Shareholders Meeting, if any, and at the time of any amendment or supplement thereof. The Information Statement shall contain (or incorporate by reference) all material information relating to the Company Shareholders' decision to adopt and approve this Agreement and the Merger that is required by applicable Law. Notwithstanding the foregoing, no representation or warranty is made by the Company with respect to information supplied in writing by Parent or Merger Sub or any of their Affiliates, directors, officers, employees, affiliates, agents or other representatives for inclusion or incorporation by reference in any such document.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub hereby represent and warrant to the Company as follows:

Section 4.01 **Incorporation; Good Standing.** Parent is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease or operate its respective properties and assets. Merger Sub is a corporation duly incorporated and validly existing under the laws of the State of Colorado and has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease or operate its respective properties and assets. Each of Parent and Merger Sub is duly qualified to do business and is in good standing (to the extent either such concept is recognized under applicable Law) in each jurisdiction where such good standing is necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, prevent or materially delay the consummation by Parent and Merger Sub of the Transactions or the performance by Parent and Merger Sub of their respective covenants and obligations hereunder.

Section 4.02 **Corporate Power; Enforceability.** Each of Parent and Merger Sub has the requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is, or is specified to be a party, to perform their respective covenants and obligations hereunder and to consummate the Transactions. The execution and delivery by Parent and Merger Sub of this Agreement and each Ancillary Agreement to which each is or is specified to be a party, the performance by Parent and Merger Sub of their respective covenants and obligations hereunder and thereunder and the consummation by Parent and Merger Sub of the Transactions have been duly authorized by all necessary corporate or other action on the part of Parent and Merger Sub, and no other corporate or other proceeding on the part of Parent or Merger Sub is necessary to authorize the execution and delivery by Parent and Merger Sub of this Agreement and each Ancillary Agreement to which each is or is specified to be a party, the performance by Parent and Merger Sub of their respective covenants and obligations hereunder or thereunder or the consummation by Parent and Merger Sub of the Transactions. This Agreement has been duly executed and delivered by each of Parent and Merger Sub and at or before the Closing Parent and Merger Sub will have duly executed and delivered each Ancillary Agreement to which each is or is specified to be a party, and this Agreement constitutes, and each Ancillary Agreement to which each of Parent and Merger Sub is or is specified to be a party will after such execution and delivery constitute, assuming the due authorization, execution and delivery by the Company, a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each in accordance with their terms subject to the Enforceability Exceptions.

Section 4.03 **Non-Contravention.** The execution and delivery by Parent and Merger Sub of this Agreement, the performance by Parent and Merger Sub o their respective covenants and obligations hereunder and the consummation by Parent and Merger Sub of the Transactions do not and will not (a) violate or conflict with any provision of the articles of incorporation or bylaws or other organizational documents of Parent or the articles of incorporation of Merger Sub (b) violate, conflict with, or result in the breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent or Merger Sub is a party or by which Parent, Merger Sub or any of their properties or assets may be bound, (c) assuming the Approvals referred to in Section 3.06 are obtained or made, violate or conflict with any Law applicable to Parent or Merger Sub or by which any of their properties or assets are bound or (d) result in the creation of any Lien upon any of the properties or assets of Parent or Merger Sub, except in the case of each of clauses (b) and (d) above, for such violations, conflicts defaults, terminations, accelerations or Liens which would not, individually or in the aggregate, prevent or materially delay the consummation by Parent and Merger Sub of the Transactions or the performance by Parent and Merger Sub of their respective covenants and obligations hereunder.

Section 4.04 **Required Approvals.** Except for (a) such filings of reports under the applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder; (b) the filing with the Secretary of State of the Statement of Merger as provided in the Colorado Corporations Law; (c) such filing and other Approvals as may be required solely by reason of Parent's or Merger Sub's (as opposed to the Company's) participation in the Merger or the Transactions; and (d) such other Parent Approvals the failure of which to make or obtain has not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect; no material notices, consents, authorizations, approvals, registrations, permits, licenses, orders, reports or other filings (any of the foregoing being referred to herein as a "**Parent Approval**") are required to be made or obtained by Parent or Merger Sub with or from any Governmental Authority in connection with the execution, delivery and performance of this Agreement by the Parent and Merger Sub and the consummation of the Merger and the Transactions.

Section 4.05 **Information Statement.** The information supplied in writing by Parent, Merger Sub or any of their Representatives expressly for inclusion or incorporation by reference in the Information Statement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which it is made, not misleading as of the time such information was supplied to the Company. Any document that is required to be filed or furnished by Parent, Merger Sub or any of their respective Affiliates with the SEC or any other Governmental Authority in connection with the Transactions will, when filed with or furnished to the SEC or such other Governmental Authority comply as to form in all material respects with applicable Law. Notwithstanding the foregoing, no representation or warranty is made by Parent or Merger Sub with respect to information supplied by the Company or any of its Affiliates, directors, officers, employees, affiliates, agents or other representatives for inclusion or incorporation by reference in any such document.

Section 4.06 **Brokers.** No agent, broker, finder or investment banker is entitled to any brokerage, finder's or similar fee or commission from Parent or any of its Subsidiaries in connection with the Transactions based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 4.07 **Operations of Merger Sub.** Merger Sub has been formed solely for the purpose of engaging in the Transactions and, prior to the Effective Time, Merger Sub will not have engaged in any other business activities and will have incurred no Liabilities or obligations other than as contemplated by this Agreement.

Section 4.08 **Parent and Merger Sub Board Approval.** The boards of directors of Parent and Merger Sub have each unanimously: (a) determined that the Merger is fair to, and in the best interest of, Merger Sub and its shareholders, (b) approved this Agreement, the Merger and the Transactions, and (c) with respect to the board of directors of Merger Sub, resolved to recommend that the sole shareholder of Merger Sub approve this Agreement, the Merger and the Transactions, pursuant to the terms hereof (which approval has been obtained simultaneously with the execution of this Agreement).

Section 4.09 **Parent and Merger Sub Capitalization.**

(a) As of the Effective Date, the authorized, issued and outstanding share capital of Parent consists of 200,000,000 shares of common stock, par value $0.001 per share (the "**Parent Common Stock**"), of which 73,327,492 shares are issued and outstanding; and 20,000,000 shares of preferred stock, par value $0.001 per share (the "**Parent Preferred Stock**"), of which 1,000,000 shares have been designated as the Class A Convertible Preferred Stock and of which 1,000,000 shares are issued and outstanding and 17,000,000 shares have been designated as the Series B Preferred Stock and of which 13,784,201 shares are issued and outstanding.

(b) As of the Closing the Parent Shares to be issued to the Company Shareholders will be duly authorized, validly issued, fully paid and non-assessable and will have been issued in accordance with all applicable laws, including, but not limited to, the Securities Act.

(c) Upon consummation of the Contemplated Transactions, the Shareholders shall own all of the Parent Shares issued to them hereunder, free and clear of all Liens.

(d) The Parent Shares are Depository Trust Company (**DTC**") eligible and listed in transferable status and shall not be subject to any DTC "chills" or "locks" and are quoted on the OTC Markets (or another over-the-counter market to be agreed on) and not subject to any notice of suspension or delisting.

(e) All issued and outstanding shares of capital stock of Parent, immediately prior to the Closing Date, have been duly authorized, are validly issued, fully paid and non-assessable, and have been issued in accordance with all applicable laws, including, but not limited to, the Securities Act.

(f) The authorized, issued and outstanding share capital of Merger Sub consists of 1,000,000 shares of common stock, par value of $.0001 per share, of which at least one (1) share is issued and outstanding and is owned by Parent.

Section 4.10 **Litigation.**

(a) (i) Except as disclosed on the Form 10-Q's and Form 10-K's submitted by Parent to the SEC, there is no Legal Proceeding pending or, to th Knowledge of Parent, threatened, against Parent or Merger Sub, and (ii) to the Knowledge of Parent, no event has occurred, and no claim, dispute c other condition or circumstance exists, that will, or that would reasonably be expected to, give rise to or serve as a basis for the commencement of any such Legal Proceeding.

(b) None of Parent or Merger Sub or any executive officer of Parent or Merger Sub is subject to any Order that prohibits Parent or Merger Sub or suc officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of Parent or Merger Sub or to any material assets owned or used by Parent or Merger Sub.

Section 4.11 **Financial Statements and Liabilities.** The financial statements regarding the Parent provided to the Securityholders' Representative are true and correct in all material respects and fairly present the financial condition of the Parent as of the respective dates they were prepared. Parent has no any Liabilities, including but not limited to contractual commitments, service agreements, notes payable and accounts payable, except (a) those which are adequately reflected or reserved against in the financial statements referenced herein and (b) those which have been incurred in the Ordinary Course of Business since the date of the financial statements referenced herein and which are not, individually or in the aggregate, material in amount.

Section 4.12 **No Insolvency; Litigation.**

The payment of the Merger Consideration will not leave the Parent insolvent or unable to pay its debts as they become due or continue its business following the Closing.

Section 4.13 **Compliance with Laws, Etc.**

(a) Parent and Merger Sub have complied with all applicable federal and state securities laws and regulations, including being current in all of Parent's reporting obligations under federal securities laws and regulations; and all prior issuances of securities have been either registered under the Securities Act, or exempt from registration; and neither Parent nor Merger Sub is in violation or breach of, conflict with, in default under (with or without the passage of time or the giving of notice or both) any provisions of (i) its certificate of incorporation, articles of incorporation, bylaws or any shareholders' agreement or (ii) any mortgage, indenture, lease, license or any other agreement or instrument.

(b) No order suspending the effectiveness of any registration statement of Parent under the Securities Act or the Exchange Act has been issued by the SEC and, to the Knowledge of Parent, no proceedings for that purpose have been initiated or threatened by the SEC.

(c) Neither Parent nor Merger Sub is and has not been, and the past and present officers, directors and affiliates of Parent and Merger Sub are not an have not, been the subject of, nor does any officer or director of Parent or Merger Sub have any reason to believe that Parent or Merger Sub or any of their respective officers, directors or affiliates will be the subject of, any civil or criminal proceeding or investigation by any federal or state agency alleging a violation of securities laws.

(d) Neither Parent nor Merger Sub has, and the past and present officers, directors and affiliates of Parent and Merger Sub have not, been the subject o nor does any officer or director of Parent or Merger Sub have any reason to believe that Parent or Merger Sub or any of their respective officers directors or affiliates will be the subject of, any civil, criminal or administrative investigation or proceeding brought by any federal or state agency.

Section 4.14 **SEC Reports.**

(a) Parent has filed all forms, reports, schedules, statements and other documents (including exhibits and all other information incorporated therein) required to be filed by it with the SEC (collectively, the "**Parent SEC Reports**"). As of the respective dates they were filed (and if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing), (1) each Parent SEC Report complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and (2) none of the Parent SEC Reports contained any untru statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the Parent SEC Reports (the "**Parent Financial Statements**") (x) complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, and (y) was prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) and each presents fairly, in all material respects, the consolidated financial position, results of operations and cash flows of Parent and the its Subsidiaries as at the respective dates thereof and for the respective periods indicated therein, except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments which would not reasonably be expected to, individually or in the aggregate, have a Parent Material Adverse Effect).

(c) Since December 11, 2018 there has not been any event, change or condition that, individually or in the aggregate, has had or would be reasonably expected to have a Parent Material Adverse Effect.

ARTICLE V. COVENANTS OF THE COMPANY

Section 5.01 **Interim Conduct of Business.**

(a) Except as expressly contemplated or required by this Agreement, required by applicable Law, or as approved by Parent, at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article X and the Effective Time, the Company and each Company Subsidiary shall (i) carry on its business in the usual, regular and Ordinary Course of Business consistent with past practice in substantially the same manner as heretofore conducted and in compliance in all material respects with all applicable Laws, (ii) use its commercially reasonable efforts, consistent with past practices, to preserve substantially intact its business organization, keep available the services of the current officers, employees and consultants of the Company and the Company Subsidiaries, and preserve the current relationships of the Company and each of the Company Subsidiaries with customers, suppliers, distributors, licensors, licensees and other Persons with whom the Company or any Company Subsidiary has significant business relations and (iii) shall not take any action that would adversely affect or is reasonably likely to delay in any material respect the ability of either Parent or the Company to obtain any necessary approvals of any Governmental Authority or otherwise required for the Transactions.

(b) Without limiting Section 5.01(a), the Company shall not do any of the following and shall cause the Company Subsidiaries to not do any of the following:

(i) cause, permit or propose any amendment to the Charter Documents or Subsidiary Charter Documents;

(ii) issue, sell, pledge, dispose of, grant, transfer, encumber, authorize or deliver or agree or commit to issue, sell, pledge, dispose of, grant, transfer, encumber, authorize or deliver (whether through the issuance or granting of options, restricted stock units, warrants, commitments, subscriptions, rights to purchase or otherwise) any Company Securities or any Subsidiary Securities (including any right to receive a payment based on the price or value of any Company Securities or any Subsidiary Securities), except for the issuance and sale of Company Shares pursuant to Company Options or Company Warrants outstanding on the Effective Date upon the exercise or vesting (as applicable) thereof and in accordance with their present terms;

(iii) directly or indirectly acquire, repurchase, redeem or otherwise acquire any Company Securities or Subsidiary Securities (including any right to receive a payment based on the price or value of any Company Securities or any Subsidiary Securities), except in connection with Tax withholdings and exercise price settlements upon the exercise of Company Options or Company Warrants outstanding on the Effective Date and in accordance with their present terms;

(iv) (1) split, combine, subdivide or reclassify Company Securities or any Subsidiary Securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any Company Securities or any Subsidiary Securities, (2) declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of any Company Securities or any Subsidiary Securities, or make any other actual, constructive or deemed distribution in respect of any Company Securities or any Subsidiary Securities, except for cash dividends made by any Company Subsidiary to the Company or another Company Subsidiary or (3) enter into, amend or modify any shareholders rights agreement, rights plan, "poison pill," or other similar agreement or instrument;

(v) propose to adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or of any Company Subsidiary, or elect or appoint any new directors or executive officers of the Company, except for the transactions contemplated by this Agreement;

(vi) (1) incur, prepay, repurchase, assume or materially modify any Indebtedness or guarantee any Indebtedness of another Person or issue any debt securities or other rights to acquire any debt securities of the Company or any Company Subsidiary, except for (A) debt incurred in the Ordinary Course of Business under letters of credit, lines of credit or other credit facilities or arrangements in effect on the Effective Date, a copy of which was made available to Parent prior to the Effective Date, or issuances or repayment of commercial paper in the Ordinary Course of Business and (B) loans or advances between the Company and any Company Subsidiary, (2) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the Indebtedness of any other Person, except with respect to obligations of the Company Subsidiaries incurred in the ordinary course consistent with past practice, (3) make any loans, advances or capital contributions to or investments in any other Person (other than the Company or any Company Subsidiary), except for business expense advances in the Ordinary Course of Business to employees of the Company or any Company Subsidiary of not more than $5,000 per employee, (4) mortgage or pledge any of its or the Company Subsidiaries' material assets, tangible or intangible, or create or permit to exist any Lien thereupon (other than Permitted Liens or Liens granted in connection with the incurrence of any Indebtedness permitted under this Section 5.01(b)(vi);

(vii) except as may be required by applicable Law or the terms of any Employee Plan or Contract as in effect prior to the Effective Date that has been provided or made available to Parent prior to the Effective Date and except for the grant of bonuses to certain employees of the Company and Company Subsidiaries, in an aggregate amount not to exceed $100,000 in accordance with Section 5.01(b)(vii) of the Company Schedule of Exceptions, which shall be pre-approved by the Parent, (1) enter into, adopt, amend in any material respect (including acceleration of vesting) or terminate any material bonus, profit sharing, incentive, compensation, severance, retention, termination, change of control, option, restricted stock unit, appreciation right, performance unit, stock equivalent, share purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the compensation, benefit or welfare of any current or former employee, officer, director or other service provider of the Company or any of the Company Subsidiaries in any manner, (2) increase the compensation or benefits (including any severance, change of control, termination or similar compensation or benefits) payable or to become payable to any current or former employee, officer, director or other service provider of the Company or any Company Subsidiary, pay or agree to pay any special bonus or special remuneration to any such employee, officer, director or other service provider, or pay or agree to pay any material benefit not required by any plan or arrangement as in effect as of the Effective Date, make any loans to any of such employees, officers, directors or other service providers (other than advancement of business expenses in the Ordinary Course of Business and consistent with past practices, of not more than $5,000 per employee), or make any change in its existing borrowing or lending arrangements for or on behalf of any such persons pursuant to an employee benefit plan or otherwise, in each case of (1) and (2) except as permitted by Section 5.01(b)(iii), (3) announce, implement, or effect any reduction in labor force, layoff, early retirement program, severance program or other program or effort concerning the termination of employment of its employees, other than routine employee terminations consistent with past practices, (4) adopt or enter into any collective bargaining agreement, works council agreement or other labor union Contract applicable to its employees, or (5) hire or engage any new employee, officer, director or other service provider of the Company or any Company Subsidiary, or terminate the employment thereof, other than hiring or firing of employees or other service providers with total annual compensation not in excess of $75,000 per employee or other service provider, as applicable and $200,000 in the aggregate, and in the Ordinary Course of Business;

(viii) except as may be required as a result of a change in applicable Law or in GAAP after the Effective Date, make any material change in any o the accounting principles or practices used by it (including any change in depreciation or amortization policies), or make any material change in internal accounting controls or disclosure controls and procedures;

(ix) (1) acquire or license any material amount of assets, or (2) make or agree to make any new capital expenditure or expenditures that, individually, is in excess of $25,000 or, in the aggregate, are in excess of $100,000;

(x) (1) acquire or agree to acquire (by merger, consolidation or acquisition of stock or assets or by any other manner) (A) any business or other Person or any material equity interest therein or (B) any assets that are material, individually or in the aggregate, to the Company and the Company Subsidiaries, (2) enter into any Contract with respect to a joint venture, strategic alliance or partnership that is material to the Company and the Company Subsidiaries, taken as a whole; or (3) other than in the ordinary course consistent with past practice, sell, lease (as lessor), license or otherwise dispose of or subject to any Lien any properties or assets of the Company or the Company Subsidiaries, which are material to the Company and the Company Subsidiaries, taken as a whole;

(xi) prepare or file any income Tax Return or other material Tax Return in a manner inconsistent with past practice or, on any such Tax Return, take any position inconsistent with past practice, make or change any Tax election, settle or otherwise compromise any claim relating to Taxes, settle any dispute relating to Taxes, adopt or change any accounting method in respect of Taxes, enter into any Tax indemnity, sharing, allocation or closing agreement, or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment, request any ruling or similar guidance with respect to Taxes;

(xii) (1) discharge, settle or satisfy any claims, liabilities, litigation or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) in an amount in excess of $50,000 individually or $100,000 in the aggregate, other than the payment, discharge, settlement or satisfaction of liabilities reflected or reserved against in, or contemplated by, the Financial Statements, (2) cancel any material Indebtedness (individually or in the aggregate) or waive any claims or rights with a value in excess of $50,000, or (3) give any material discount, accommodation or other concession (other than in the Ordinary Course of Business) in order to accelerate or induce the collection of any receivable;

(xiii) except in the Ordinary Course of Business, (1) enter into any Contract that would constitute a Material Contract if entered into at any time prio to the Effective Date, (2) modify or amend in any material respect any Material Contract, (3) terminate any Material Contract, or (4) waive release, or assign any material rights or claims under any Material Contract;

(xiv) transfer, sell, lease, license, mortgage, pledge, surrender, encumber, divest, cancel, abandon, or allow to lapse or expire or otherwise dispose of any of the material assets, Company Intellectual Property, product lines, or businesses of the Company or any Company Subsidiary, other than (1) pursuant to Contracts in effect as of, and disclosed to Parent, prior to the Effective Date, or (2) in connection with the license of Products or the distribution, sale or license of other products or services, in each case, in the Ordinary Course of Business;

(xv) enter into, engage in or amend any transaction or Contract with any Company Subsidiary or Related Party;

(xvi) customize the source code of any Product for any customer or other third party for which customization of the Intellectual Property rights associated therewith is not retained by the Company;

(xvii) enter into any Contract that limits either the type of business in which the Company or a Company Subsidiary (or, after the Effective Time Parent or its Subsidiaries) may engage or the manner or locations in which it may so engage in any business, or would require the Company or the Company Subsidiaries to deal exclusively with a Person or related group of Persons;

(xviii) cancel or fail to in good faith seek to renew any insurance policies;

(xix) except as expressly permitted in this Agreement, take any action that would reasonably be expected to result in any of the conditions set forth in Article VIII not being satisfied or that is intended to prevent, materially impair or materially delay the ability of the Company to consummate the Merger and the Transactions; or

(xx) enter into a Contract, or otherwise resolve or agree, to take any of the actions prohibited by this Section 5.01(b).

(c) Notwithstanding the foregoing, nothing in this Agreement is intended to give Parent, directly or indirectly, the right to control or direct the business or operations of the Company or the Company Subsidiaries at any time prior to the Effective Time. Prior to the Effective Time, the Company and the Company Subsidiaries shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over their own business and operations.

Section 5.02 **No Solicitation.**

(a) The Company shall, and shall cause the Company Subsidiaries and its and their respective Representatives to, immediately cease any and all existing discussions, communications or negotiations with any Persons (other than Parent, Merger Sub and their Representatives) conducted heretofore with respect to any Acquisition Proposal. The Company shall promptly (but in no event later than two (2) Business Days after the Effective Date) revoke terminate or withdraw access of any Person (other than Parent, Merger Sub and their Representatives) to any data room (virtual or actual) containing any non-public information with respect to the Company or the Company Subsidiaries in connection with any Acquisition Proposal.

(b) At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article X and the Effective Time, the Company and the Company Subsidiaries shall not, and shall cause their respective Representatives not to, directly or indirectly, (i) solicit, initiate or cooperate with the making, submission or announcement of, or encourage, facilitate or assist the making of, any Acquisition Proposal, (ii) furnish to any Person (other than Parent, Merger Sub or any designees of Parent or Merger Sub) any non-public information relating to the Company or any of the Company Subsidiaries, or afford to any Person (other than Parent, Merger Sub or any designees of Parent or Merger Sub) access to the business, properties, assets, books, records or other non-public information, or to any personnel of the Company or any of the Company Subsidiaries, in each such case that has made, submitted or announced, or would reasonably be expected to make, submit or announce, or with the intent to induce the making, submission or announcement of, or the intent to knowingly encourage, facilitate or assist the making, submission or announcement of, an Acquisition Proposal, (iii) participate or engage in any discussions or negotiations with any Person with respect to an Acquisition Proposal or Acquisition Transaction, or (iv) resolve or publicly propose to take any of the actions referred to in clauses (i) through (iii). The Company agrees that any violation of the restrictions set forth in Section 5.02 by the Company Subsidiaries or any of the Company's or any of the Company Subsidiaries' Representatives shall be deemed a breach of this Agreement by the Company.

(c) The Company shall promptly (and in any event within twenty-four (24) hours from the time at which the Company becomes aware thereof) notify Parent orally and in writing if the Company becomes aware of the receipt by the Company, the Company Subsidiaries or any of their respective Representatives of (i) any Acquisition Proposal, (ii) any request for information that would reasonably be expected to lead to an Acquisition Proposal or (iii) any inquiry with respect to, or which would reasonably be expected to lead to, any Acquisition Proposal. Such notice shall include the terms and conditions of such Acquisition Proposal, request or inquiry, the identity of the Person or group making any such Acquisition Proposal, request or inquiry. The Company shall keep Parent informed of the status and terms of any such Acquisition Proposal, request or inquiry on a prompt basis, and in any event no later than twenty-four (24) hours after the occurrence of any material changes to any such Acquisition Proposal (including any change to the terms and conditions thereof and of any withdrawal thereof).

(d) The Company shall not, and shall cause the Company Subsidiaries and its and their respective Representatives not to, enter into any Contract with any Person that would restrict the Company's ability to provide to Parent the information described in Section 5.02(c), and neither the Company nor any of the Company Subsidiaries is currently party to or bound by any Contract that prohibits the Company from providing the information described in Section 5.02(c) to Parent. The Company (i) shall not, and shall cause the Company Subsidiaries not to, terminate, waive, amend or modify, or grant permission under, any standstill, non-compete, non-solicitation or confidentiality provision in any Contract to which it or any of the Company Subsidiaries is or becomes a party relating to an Acquisition Proposal (other than any such Contract with Parent or Merger Sub), and (ii) shall, at the reasonable request of the Parent, cause the Company Subsidiaries and its and their respective Representatives to, use reasonable commercial efforts to enforce such standstill, non-compete, non-solicitation and confidentiality provisions if the Company becomes aware of any material breach thereof by the party subject thereto.

(e) The Company shall promptly (but in no event later than five (5) Business Days after the Effective Date) (i) demand that each Person that has executed a confidentiality agreement in the preceding eighteen (18) months in connection with any Acquisition Proposal return or destroy all non-public information furnished to such Person or its Representatives by or on behalf of the Company or any of the Company Subsidiaries in accordance with the terms of the applicable confidentiality agreement, and (ii) revoke, terminate or withdraw access of any Person (other than Parent, Merger Sub and their Representatives) to any data room (virtual or actual) containing any non-public information with respect to the Company or the Company Subsidiaries in connection with any Acquisition Proposal.

(f) Notwithstanding the foregoing, nothing contained in this Section 5.02 shall prohibit the Company Board from furnishing information to, or entering into discussions or negotiations with, or entering into any transaction with, any person or entity that makes an unsolicited proposal to acquire the Company pursuant to a merger, consolidation, share exchange, business combination, tender or exchange offer or other similar transaction, if, the Company Board determines in good faith that such proposal provides greater value to the Company Shareholders than the Transactions (a "**Superior Proposal**"). The Company will notify the Parent after receipt by the Company (or any of its officers, directors, employees, or Representatives) of any proposal for, or inquiry respecting, a potential Superior Proposal, or any request for nonpublic information in connection with such proposal or inquiry or for access to the properties, books or records of the Company by any person that informs or has informed the Company that it is considering making or has made such a proposal or inquiry. This provision supersedes any other prior agreement or understanding between the Parent and Company regarding the solicitation of or marketing of the Company.

Section 5.03 **Access.** At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article X and the Effective Time, the Company shall, and shall cause each of the Company Subsidiaries to afford Parent and its Representatives reasonable access during normal business hours, upon reasonable notice, to the properties, books and records and personnel of the Company and, during such period, the Company shall, and shall cause each of the Company Subsidiaries to, furnish promptly to Parent and its Representatives any information concerning its business, Taxes, properties or personnel as Parent may reasonably request, including (i) any report, schedule and other document filed or furnished by it with the SEC and any material communication (including "comment letters") received by the Company from the SEC in respect of such filings, and (ii) internal monthly consolidated financial statements of the Company and the Company Subsidiaries, to the extent prepared in the Ordinary Course of Business;*provided*, *however*, that no information or knowledge obtained by Parent in any investigation conducted pursuant to the access contemplated by this Section 5.03 shall affect or be deemed to modify any representation or warranty of the Company set forth in this Agreement or otherwise impair the rights and remedies available to Parent and Merger Sub hereunder. Subject to compliance with applicable Law, from the Effective Date until the earlier of the termination of this Agreement and the Effective Time, the Company shall confer from time to time as reasonably requested by Parent with Parent or its Representatives to discuss any material changes or developments in the operational matters of the Company and the general status of the ongoing operations of the Company. Any investigation conducted pursuant to the access contemplated by this Section 5.03 shall be conducted in a manner that does not unreasonably interfere with the conduct of the business of the Company and the Company Subsidiaries or create a risk of damage or destruction to any property or assets of the Company or any of the Company Subsidiaries.

Section 5.04 **Director Resignations.** Prior to the Closing, except as otherwise may be agreed by Parent, the Company shall obtain resignation letters from each of the members of the Company Board and the board of directors of each of the Company Subsidiaries, in each case, with the resignation to be effective as of the Effective Time and conditioned on the occurrence of the Closing.

Section 5.05 **Company Shareholders' Meeting.**

(a) As soon as reasonably practicable following the Effective Date, the Company shall, for the purpose of obtaining the Company Shareholder Approva either (i) establish a record date for, duly call, give and publish notice of and convene a special meeting of its shareholders (the "**Company Shareholders Meeting**") or (ii) establish a record date for and solicit the written consent of the Company Shareholders (the "**Company Shareholders Written Consent**"). The Company shall comply with the notice requirements applicable to the Company in respect of the Company Shareholders Meeting or the Company Shareholders Written Consent, as applicable, pursuant to the Colorado Corporation Law and the Charte Documents. At the Company Shareholders Meeting or by the Company Shareholders Written Consent, Parent and Merger Sub shall cause ar Company Shares owned by them (if any) to be voted in favor of the approval of the Merger and the Transactions.

(b) The Company agrees that, unless this Agreement has been terminated in accordance with Article X, it shall not submit to the vote of the Company Shareholders any Acquisition Proposal or Acquisition Transaction prior to the vote of the Company Shareholders with respect to this Agreement and the Merger at the Company Shareholders Meeting or by the Company Shareholders Written Consent. The Company shall, upon the reasonabl request of Parent, advise Parent at least on a daily basis on each of the last ten (10) Business Days prior to the date of the Company Shareholde Meeting, if any, (unless otherwise agreed to by Parent) as to the aggregate tally of proxies received by the Company with respect to the Company Shareholder Approval or advise Parent at least on a daily basis (unless otherwise agreed to by Parent) as to the status of the Company Shareholders Written Consent with respect to the Company Shareholder Approval. Without the prior written consent of Parent, the Company Shareholder Approva shall be the only matter (other than procedural matters or the approval of certain compensation arrangements in connection with the Merger) which the Company shall propose to be acted on by the Company Shareholders at the Company Shareholder Meeting or in the Company Shareholder Written Consent.

(c) The Company shall not permit the adjournment or postponement of the Company Shareholders Meeting, if any, without the prior written consent o Parent, unless otherwise ordered by any Government Authority or required pursuant to applicable Law or the Charter Documents; *provided, however*, that if Parent so requests, the Company shall adjourn or postpone the Company Shareholders Meeting for a period of up to fourteen (14 days. Once the Company has established a record date for the Company Shareholders Meeting or the Company Shareholders Written Consent, th Company shall not change such record date or establish a different record date without the prior written consent of Parent, unless required to do so by applicable Law (including, in the event that the Company Shareholders Meeting is adjourned or postponed in accordance with this Section 5.05(c), by implementing such adjournment or postponement in such a way that the Company does not establish a new record date for the Company Shareholders Meeting, as so adjourned or postponed, to the extent permissible under applicable Law).

(d) After the approval of the Merger by the Company Shareholders and the satisfaction or waiver of all other conditions to Closing, the Company sha acknowledge and file to the Secretary of State, as soon as practicable, the Statement of Merger as provided in the Colorado Corporation Law.

Section 5.06 **Tail Policy.** Prior to the Closing, the Company shall purchase an extended reporting period endorsement (the "**Tail Policy**") under the Company's and any Company Subsidiary's existing directors' and officers' liability insurance policy in effect on the Effective Date (the "**Current Policy**") for the D&O Indemnified Persons (as defined below). The Company shall be responsible for the cost of the Tail Policy. The Tail Policy purchased by the Company shall provide the D&O Indemnified Persons with coverage for six (6) years from and after the Effective Time with respect to acts or omissions occurring at or prior to the Effective Time and shall contain terms and coverage amounts at least as favorable as the terms and coverage amounts of the Current Policy. For the period of six (6) years from and after the Effective Time, the Surviving Corporation shall not cancel or amend the Tail Policy.

Section 5.07 **Financial Statements.**

(a) The Company acknowledges that Parent may include the Financial Statements in a registration statement or other filing made by Parent with the SEC.

(b) The Company shall use its commercially reasonable efforts to deliver, or cause to be delivered, on or before the date that is ninety (90) days aft the Effective Date, to Parent the Financial Statements, together with an unqualified opinion with respect thereto from Daszkal Bolton LLP, an independent accounting firm registered with the Public Company Accounting Oversight Board (the "**Company Auditor**"). The Company Auditor must consent to their opinion referenced above being used in a registration statement or other filing made by Parent with the SEC. Within thirty (30) days following the last day of each fiscal quarter ending after December 31, 2018, the Company shall deliver, or cause to be delivered, to Parent, in form and substance satisfactory to Parent, the Company's unaudited consolidated balance sheet as of the last day of such fiscal quarter and as of the last day of the corresponding fiscal quarter from the prior fiscal year, and the related consolidated unaudited statements of operations, cash flow and stockholders' equity for the three (3) month periods then ended, in each case reviewed by the Company's independent accountants in accordance with SAS-100 (the "**Interim Financials**"). The Company, prior to the Effective Time, and the Securityholder Representative, on or after the Effective Time, shall, if requested by Parent, reasonably cooperate with Parent in causing the Company's auditors to deliver, and shall use commercially reasonable efforts to take such other actions as are necessary to enable the Company's auditors to deliver, any opinions, consents, comfort letters, or other materials necessary for Parent to file the Financial Statements and any Interim Financials in a registration statement or other filing made by Parent with the SEC or to comply with the reasonable request of an underwriter in connection with a public offering of Parent's securities. Parent shall be entitled to include the information contained in the Financial Statements and any Interim Financials in a registration statement or other filing made by Parent with the SEC if such registration statement or other filing is required in connection with Parent satisfying its reporting obligations under the Securities Act or the Exchange Act or any rule or regulation applicable to Parent or Parent's securities.

(c) The Financial Statements and any Interim Financials, when delivered, will (i) have been derived from the books and records of the Company, (ii) be true and correct in all material respects, (iii) present fairly the consolidated financial position, results of operations and cash flows of the Company and the Company Subsidiaries at the dates and for the periods indicated (subject to normal year-end adjustments) in accordance with past practices and Regulation S-X promulgated under the Exchange Act, except as indicated in the footnotes thereto and (iv) meet the standards, requirements conditions and thresholds set forth on **Exhibit A**.

Section 5.08 **Company Securityholder Schedule.**

(a) Notwithstanding anything herein to the contrary, before the Exchange Agent or Parent shall make any payment or issuances hereunder to the Company Securityholders, the Company shall deliver to Parent and the Exchange Agent at least two (2) Business Days prior to the Closing th Financial Statements and a schedule (the "**Company Securityholder Schedule**") setting forth: (i) the name and mailing address of each Company Securityholder entitled to distribution of a portion of the Merger Consideration, (ii) the number of Company Shares of each class and series o Company Shares held by each Company Shareholder as of immediately prior to the Effective Time and the certificate number or numbers corresponding to such shares, (iii) the exercise price per share and the number of shares of Company Common Stock subject to each Company Option held by each such Company Securityholder as of immediately prior to the Effective Time, (iv) the exercise price per share and the number of shares of Company Common Stock subject to each Company Warrant held by each such Company Securityholder as of immediately prior to the Effectiv Time, (v) the number of shares of Company Common Stock outstanding immediately prior to the Effective Time on a Fully-Diluted Basis, (vi) eac Company Shareholder's Pro Rata Share, (vi) each Company Securityholder's status as an "accredited investor" as defined in Rule 501 unde Regulation D of the Securities Act or a non-accredited investor, (vii) the aggregate amount and type of Merger Consideration to which each Company Securityholder is entitled (whether such Merger Consideration consists or Parent Shares or options or warrants to purchase Parent Shares), (viii) th amount of any Taxes required to be withheld under applicable Law, and (ix) as applicable, with respect to each holder of Company Shares issued on or after January 1, 2011 or any other security that, in each case, would be deemed a "covered security" under Treasury Regulation §1.6045-1(a)(15), the cost basis and date of issuance of such shares or securities.

(b) The Securityholder Representative shall be responsible for instructing the Exchange Agent and Parent as to the distribution of the Merge Consideration. Parent, the Exchange Agent and the Surviving Corporation may rely on the instructions of the Securityholder Representative and th Company Securityholder Schedule for distributions of the Merger Consideration and shall have no responsibility or liability with respect thereto if the distribution instructions of the Securityholder Representative are followed. Upon Parent making the payments required of it under this Agreement to the Exchange Agent as provided herein, Parent shall have fulfilled its obligations with respect to such payment. Neither Parent (including indirectly through the Surviving Corporation) nor the Exchange Agent shall have any liability whatsoever with respect to the distribution of such payments pursuant to the Company Securityholder Schedule.

ARTICLE VI. COVENANTS OF PARENT AND MERGER SUB

Section 6.01 **Directors' and Officers' Indemnification and Insurance.**

(a) Parent agrees that all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time now existing in favor of the current or former directors or officers of the Company and the Company Subsidiaries (the "**D&O Indemnified Persons**, each, an "**D&O Indemnified Person**") acting in such capacities as provided in the Charter Documents and Subsidiary Charter Documents and any indemnification or other agreements of the Company and any Company Subsidiary as in effect on the Effective Date (t the extent that copies have been made available to Parent prior to the Effective Date) shall be assumed by the Surviving Corporation in the Merger without further action, at the Effective Time, and shall survive the Merger and shall continue in full force and effect in accordance with their terms; *provided* that such obligations shall be subject to any limitation imposed from time to time under applicable Law.

(b) The rights of each D&O Indemnified Person under this Section 6.01 shall survive consummation of the Merger and are intended to benefit, and sha be enforceable by, each D&O Indemnified Person, subject to the Enforceability Exceptions.

Section 6.02 **Employee Plans.**

(a) With respect to Company Employees as of the Closing who continue to be employed by the Company or the Company Subsidiaries immediatel following the Closing (and their dependents and beneficiaries where appropriate), (i) Parent shall continue on a plan-by-plan basis to provide coverage and make all payments (including all deferred and incentive compensation payments) required under each Employee Plan identified on Section 3.20(a) of the Company Schedule of Exceptions at least through December 31, 2018 (or, if earlier, on the date of termination of employment of the relevant Company Employee) (other than, for the avoidance of doubt, any equity-based plans), and (ii) Parent shall, as of the Closing, (1) recognize such Company Employees' employment service with the Company or the Company Subsidiaries (including credit for service with predecessor employers as currently recognized under the applicable Employee Plans) for participation and vesting purposes under any Employee Plan (other than equity-based Employee Plans) that Parent may provide to such Company Employees to the same extent recognized under the comparable Employee Pla immediately prior to the Closing, except to the extent a duplication of benefits would result and (2) honor in full all accrued but unused vacation accrued in accordance with Company policy and recognize pre- and post-Closing service with the Company or Company Subsidiaries (including credi for service with predecessor employers as currently recognized under the applicable Employee Plans) to the same extent recognized under the comparable Employee Plan immediately prior to the Closing for purposes of accrual of vacation following the Closing Date, except to the extent a duplication of benefits would result.

(b) The provisions of this Section 6.02 are included for the sole benefit of the respective Parties hereto and shall not create any right (including any third-party beneficiary right) in any other Person, including any employee or former employee of the Company or any Company Subsidiary or any participant or beneficiary in any Employee Plan. Nothing contained in this Section 6.02 shall: (i) create or confer any rights, remedies or claims upon any employee of the Company or any Company Subsidiary or any right of employment or continued employment or any particular term or condition of employment for any Person or (ii) be deemed to constitute the establishment of, an amendment to, or the modification of any Company Benefit Plan or any Employee Plan of Parent, the Company, any of their Subsidiaries, or any of their Affiliates.

Section 6.03 **Obligations of Merger Sub.** Parent shall take all action necessary to cause Merger Sub and the Surviving Corporation to perform their respective obligations under this Agreement and to consummate the Transactions upon the terms and subject to the conditions set forth in this Agreement.

Section 6.04 **Additional Covenants.** Between the Effective Date and the Closing or the earlier termination of this Agreement in accordance with its terms neither the Parent nor any of its Affiliates shall take, or permit or suffer Parent undertaking, any of the following actions or attempt to do so:

(a) Any amendment of articles of incorporation, certificate of incorporation, or bylaws of Parent or Merger Sub;

(b) Any change in the primary business of Parent or Merger Sub;

(c) Any transfer of, or change of control with respect to, all or substantially all the assets or business of Parent or Merger Sub, whether in an asset sale stock sale, merger, consolidation, or other form of transaction having substantially similar effect;

(d) Any spin-off of assets of Parent or Merger Sub;

(e) Any issuance of capital stock of Parent or Merger Sub, or the issuance of other securities or instruments convertible into capital stock of Parent o Merger Sub except for the issuance of such stock of Parent required to raise capital to fund operations of the Parent or Merger Sub;

(f) Any business or commercial transaction between Parent or Merger Sub, on one hand, and any person who is or has been at any time an officer o director of Parent or Merger Sub on the other hand;

(g) Any dividends or distributions to shareholders of Parent or Merger Sub; or

(h) Any fixing or changing of the number of Directors of Parent.

Section 6.05 **Books and Records.** In order to facilitate the resolution of any claims made against or incurred by the Company or the Company Shareholders prior to the Closing, or for any other reasonable purpose, for a period of five (5) years after the Closing, Parent shall retain the books and records (including personnel files) of the Company relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of the Company; and upon reasonable notice, afford the Representatives of Company Shareholders reasonable access (including the right to make, at the Company Shareholders expense, photocopies), during normal business hours, to such books and records. Parent shall not be obligated to provide any other Party with access to any books or records (including personnel files) pursuant to this Section 6.05 where such access would violate any Law.

ARTICLE VII. ADDITIONAL COVENANTS OF ALL PARTIES

Section 7.01 **Commercially Reasonable Efforts to Complete.** Upon the terms and subject to the conditions set forth in this Agreement, each of Parent, Merger Sub and the Company shall use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Party or Parties in doing, all things reasonably necessary, proper or advisable under applicable Law or otherwise to consummate and make effective, in the most expeditious manner practicable (and in any event prior to the Outside Date), the Transactions, including using commercial reasonable efforts to: (a) cause the conditions set forth in Article VIII to be satisfied (but not waived); (b) obtain all Approvals from Governmental Authorities and third parties that are necessary to consummate the Merger; (c) obtain all necessary or appropriate consents, waivers and approvals, or give all necessary or appropriate notices, under any Material Contracts in connection with this Agreement and the consummation of the Transactions so as to maintain and preserve the benefits under such Material Contracts following the consummation of the Transactions; and (d) execute and deliver any additional instruments reasonably necessary to consummate the Transactions and to fully carry out the purposes of this Agreement and the Ancillary Agreements. Notwithstanding anything to the contrary herein (except as set forth in Section 10.03), the Company shall not be required prior to the Effective Time to pay any consent or other similar fee, "profit sharing" or other similar payment or other consideration (including increased rent or other similar payments or any amendments, supplements or other modifications to (or waivers of) the existing terms of any Contract), or the provision of additional security (including a guaranty) to obtain the consent, waiver or approval of any Person under any Contract.

Section 7.02 **Regulatory Filings.**

(a) Each of Parent and Merger Sub shall, and shall cause their respective Affiliates to, if applicable, on the one hand, and the Company, on the other hand shall promptly inform the other of any communication from any Governmental Authority regarding any of the Transactions in connection with any filings or investigations with, by or before any Governmental Authority relating to this Agreement or the Transactions, including any Legal Proceedings initiated by a private party. If any party hereto or Affiliate thereof shall receive a request for additional information or documentary material from any Governmental Authority with respect to the Transactions or with respect to any filings that have been made, then such party shall use its best reasonable commercial efforts to make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response in compliance with such request. In connection with and without limiting the foregoing, to the extent reasonably practicable and unless prohibited by applicable Law or by the applicable Governmental Authority, the Parties agree to (i) give each other reasonable advance notice of all meetings with any Governmental Authority relating to the Merger, (ii) give each other an opportunity to participate in each of such meetings, (iii) keep the other party reasonably apprised with respect to any oral communications with any Governmental Authority regarding the Merger, (iv) cooperate in the filing of any analyses, presentations, memoranda, briefs, arguments, opinions or other written communications explaining or defending the Merger, articulating any regulatory or competitive argument and/or responding to requests or objections made by any Governmental Authority, (v) provide each other with a reasonable advance opportunity to review and comment upon, and consider in good faith the views of the other with respect to, all written communications (including any analyses, presentations, memoranda, briefs, arguments and opinions) with a Governmental Authority regarding the Merger, (vi) provide each other (or counsel of each Party, as appropriate) with copies of all written communications to or from any Governmental Authority relating to the Merger, and (vii) cooperate and provide each other with a reasonable opportunity to participate in, and consider in good faith the views of the other with respect to, all material deliberations with respect to all efforts to satisfy the conditions set forth in Section 8.01(a). Any such disclosures, rights to participate or provisions of information by one party to the other may be made on a counsel-only basis to the extent required under applicable Law or as appropriate to protect confidential information.

(b) From and after the Effective Date and until the Closing, each of the Company and Parent shall not operate their respective businesses in such manne or take any action that would reasonably be expected to increase in any material respect the risk of not obtaining any such Approval from a Governmental Authority or that would violate any Law.

(c) Notwithstanding the foregoing or anything herein to the contrary, no Party shall be required to dispose of any material amount of assets, or curtail any material portion of its operations, or pay any fees to any Governmental Authority in excess of $10,000, in order to obtain any approval or consent from any Governmental Authority in order to consummate the Transactions.

Section 7.03 **Anti-Takeover Statute.** In the event that any anti-takeover, anti-trust or similar Law is or becomes applicable to this Agreement or any of the Transactions, the Company, Parent and Merger Sub shall, subject to Section 7.02(c), use their respective reasonable commercial efforts to ensure that the Transactions may be consummated as promptly as practicable on the terms and subject to the conditions set forth in this Agreement and otherwise to minimize the effect of such Law on this Agreement and the Transactions.

Section 7.04 **Notification of Certain Matters.**

(a) Subject to applicable Law and the instructions of any Governmental Authority, each of the Company and Parent shall keep the other reasonably apprised of the status of matters relating to completion of the Transactions, including (subject to any confidentiality obligations) promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of their Subsidiaries or Representatives, from any Governmental Authority with respect to the Transactions.

(b) The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) the Company or Parent, as the case may be, becoming aware that any representation or warranty made by it in this Agreement or any Ancillary Agreement is untrue or inaccurate in any material respect, (ii) the Company or Parent, as the case may be, shall become aware of the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which reasonably could be expected to cause any representation or warranty contained in this Agreement or any Ancillary Agreement to be untrue or inaccurate in any material respect, (iii) any failure of the Company, Parent or Merger Sub, as the case may be, to comply with or satisfy any covenant or agreement to be complied with or satisfied by it hereunder, (iv) any notice or other communication from any person alleging that the consent of such person is required in connection with the consummation of any of the Transactions, and (v) any change to the number of Company Securities issued and outstanding as set forth in Section 3.07 which results from anything other than actions specifically permitted by this Agreement (including the exercise of Company Options or Company Warrants); *provided, however*, that the delivery of any notice pursuant to this Section 7.04 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice, and *provided further*, that the terms and conditions of the Confidentiality Agreement shall apply to any information provided to Parent pursuant to this Section 7.04(b).

(c) The Company shall promptly advise Parent orally and in writing of (i) any change or event that has or could reasonably be expected to have a Company Material Adverse Effect and (ii) any change or event that has or could reasonably be expected to cause any of the conditions to Closing set forth in Article VIII not to be satisfied by the Outside Date; provided, however, that the delivery of any notice pursuant to this Section 7.04(c) shall not limit or otherwise affect the Company's representations and warranties in 0, any covenant of the Company in this Agreement or any remedies available hereunder to Parent.

(d) Each Party shall promptly advise the other Parties of any Legal Proceedings commenced after the Effective Date or threatened against such Party o any of its directors, officers, employees (in their capacity as such) or Affiliates by any Person, and shall keep the other Parties reasonably informed regarding any such Legal Proceedings. The Company shall promptly notify the other Parties of any Legal Proceeding that may be threatened o asserted in writing, brought, or commenced against the Company or any of the Company Subsidiaries, that would have been listed in Section 3.25 o the Company Schedule of Exceptions, if such Legal Proceeding, had arisen prior to the Effective Date. The Company agrees that it shall not settl compromise or come to an arrangement regarding, or make an offer or agree to settle, compromise or come to an arrangement regarding, any such Legal Proceedings commenced against the Company, any Company Subsidiary or any director, officer or employee thereof without the prior written consent of Parent which shall not be unreasonably withheld or delayed. After receipt of the Company Shareholder Approval, the Company shal cooperate with Parent and, if requested by Parent, use its reasonable commercial efforts to settle, compromise or come to an arrangement regarding any unresolved Legal Proceedings in accordance with Parent's direction.

Section 7.05 **Public Statements and Disclosure.** None of the Company, on the one hand, or Parent and Merger Sub, on the other hand, shall issue any public release or make any public announcement concerning this Agreement or the Transactions without the prior written consent of the other Parties (which consent shall not be unreasonably withheld, conditioned or delayed), unless (a) such disclosing Party shall have determined in good faith, upon the advice of outside legal counsel, that such disclosure is required by applicable Law or, in the case of Parent, the market rules, internal rules, guidelines or other mandatory requirements of the securities exchange on which any Parent capital stock is then listed and (b) to the extent practicable before such press release or disclosure is issued or made, such Party advises the other Parties of, and consults with the other Parties regarding, the text of such press release or disclosure. Notwithstanding the foregoing, without prior consent of the other Parties, each of Parent and the Company may disseminate material substantially similar to material included in a press release or other document previously approved for public distribution by the other Party. Each Party agrees to promptly make available to the other Parties copies of any written public communications made without prior consultation with the other Parties.

Section 7.06 **No Control of the Company's or Parent's Operations.** Nothing contained in this Agreement shall give Parent or the Company, directly or indirectly, rights to control or direct the operations of the other prior to the Effective Time. Prior to the Effective Time, each of Parent and the Company shal exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of its operations.

Section 7.07 **Articles of Amendment; Shares.**

(a) Notwithstanding anything to the contrary set forth herein, the Parties acknowledge and agree that, as of the Effective Date, the Company has purportedly issued a number of shares of Company Common Stock, or rights to acquire or be issued additional shares of Company Common Stock, i excess of the number of shares of common stock as currently authorized by the Articles of Incorporation of the Company (the "**Articles**").

(b) Following the Effective Date, the Company shall undertake such actions as reasonably required to effect an amendment to the Articles to increase the number of authorized shares of common stock of the pursuant to the Articles to no more than 40,000,000 shares of common stock, including submitted the approval of such amendment to the shareholders of the Company, recommending that such shareholders approve such amendment and filing the amendment to the Articles (the "**Articles Amendment**") with the Secretary of State of the State of Colorado and causing such Articles Amendmen to become effective in accordance with the Colorado Corporation Law.

(c) Following the effectiveness of the Articles Amendment, the Company shall issue a total of 3,419,002 additional shares of Company Common Stock for no additional consideration, to those Persons to whom shares of Company Common Stock were purportedly issued prior to the effectiveness of the Articles Amendment but which such issuances were not valid due to being in excess of the number of shares of common stock authorized for issuance pursuant to the Articles prior to the effectiveness of the Articles Amendment.

(d) Following the effectiveness of the Articles Amendment, the Company shall grant to certain officers, directors and employees of the Company a tota of 5,670,000 shares of restricted Company Common Stock, pursuant to the provisions of the Incentive Plan or otherwise, which the Partie acknowledge were purportedly made prior to the effective date, but which grants were not valid due to being in excess of the number of shares of common stock authorized for issuance pursuant to the Articles prior to the effectiveness of the Articles Amendment and for being in excess of the number of shares of Company Common Stock subject to the Incentive Plan.

(e) Once issued, sold or granted, the shares of Company Common Stock as issued, sold or granted pursuant to the provisions of Section 7.07(c) and Section 7.07(d) shall be deemed Company Common Shares for all purposes of this Agreement. The representations, warranties, covenants and agreements of the Parties hereunder shall be deemed qualified as necessary to give effect to the provisions of this Section 7.07.

ARTICLE VIII. CONDITIONS TO THE CLOSING OF THE MERGER

Section 8.01 **General Conditions.** The respective obligations of Parent, Merger Sub and the Company to consummate the Merger and the Transactions sha be subject to the satisfaction or waiver (except with respect to the condition set forth in Section 8.01(a), which cannot be waived) by mutual written agreement of Parent and the Company, prior to the Effective Time, of each of the following conditions:

(a) Company Shareholder Approval. The Company Shareholder Approval shall have been obtained.

(b) No Legal Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, granted or promulgated any Law or Order tha is in effect and has the effect of making the Merger illegal or which has the effect of prohibiting or otherwise preventing the consummation of the Merger.

(c) No Legal Proceedings. No Legal Proceeding initiated by any Person seeking an Order to enjoin or prohibit the consummation of the Merger or th Transactions shall be pending or threatened.

Section 8.02 **Conditions to the Obligations of Parent and Merger Sub.** The obligations of Parent and Merger Sub to consummate the Merger and the Transactions shall be subject to the satisfaction or waiver prior to the Effective Time of each of the following conditions, any of which may be waived exclusively by Parent:

(a) Representations and Warranties.

(i) Each of the representations and warranties of the Company in this Agreement, other than the Fundamental Representations, that is qualified or limited by a materiality or Company Material Adverse Effect shall be true and correct in all respects on and as of the Effective Date and as of the Effective Time as though made on and as of the Effective Time (except to the extent such representation and warranty is expressly made as of a specified date, in which case such representations shall be true and correct in all respects as of such date).

(ii) The Fundamental Representations of the Company shall be true and correct in all respects, other than changes in such representations and warranties resulting from the vesting, exercise or forfeiture of Company Options and Company Warrants from the Effective Date to the Effective Time according to their terms.

(iii) All other representations and warranties of the Company contained in this Agreement (other than those described in Section 8.02(a) and Section 8.02(a)(i)) shall be true and correct in all material respects, in each case, as of the Effective Date and as of the Effective Time as if made on and as of the Effective Time, except to the extent such representations and warranties by their terms speak as of a specific date, which representations and warranties will have been true and correct as of such date (except to the extent such representation and warranty is expressly made as of a specified date, in which case such representations shall be true and correct in all material respects as of such date).

(b) Performance of Obligations of the Company. The Company shall have performed and complied with. in all material respects. each of the obligations and covenants that are to be performed by it under this Agreement at or prior to the Effective Time.

(c) Incumbency Certificate. Parent shall have received a certificate, dated as of the Closing Date and executed on behalf of the Company by its Chief Executive Officer, certifying the incumbency of each of the Company's officers authorized to sign, on behalf of the Company, this Agreement and the Ancillary Agreements executed or to be executed and delivered by the Company pursuant to this Agreement.

(d) Governmental and Other Approvals. The approvals, consents, waivers and notices required to be obtained or sent by the Company to or from any Person to consummate the Merger and the Transactions or as set forth on the Company Schedule of Exceptions shall have been obtained, given or sent, as applicable, by the Company.

(e) Company Material Adverse Effect. Since Effective Date there shall not have been any Company Material Adverse Effect.

(f) Resignation of Company Directors. Parent shall have received duly executed resignation letters of the members of the Company Board effective as of the Effective Time.

(g) Appraisal Rights. The holders of no greater than fifteen percent (15%) of the outstanding shares of Company Common Stock and no holders of the outstanding shares of Company Preferred Stock shall continue to have a right to exercise appraisal, dissenters' or similar rights under applicable Law with respect to such equity securities of the Company by virtue of the Merger.

(h) Secretary's Certificates. Parent shall have received (i) a certificate, validly executed by the Secretary of the Company, certifying (1) as to the terms and effectiveness of the Charter Documents, (2) as to the valid adoption of resolutions of the Company Board (whereby the Merger and the Transactions were approved by the Company Board) and (3) that the Company Shareholders constituting the Company Shareholder Approval have approved this Agreement and the consummation of the Transactions and (ii) a certificate, validly executed by the Secretary of each Company Subsidiary certifying as to the terms and effectiveness of the applicable Subsidiary Charter Documents.

(i) Good Standing Certificate Parent shall have received (i) a long form certificate of good standing of the Company from the Secretary of State, (ii) a good standing certificate from each jurisdiction in which the Company is qualified to do business, each of which to be dated within a reasonable period prior to Closing with respect to the Company and (iii) a certificate of good standing of each Company Subsidiary from the Secretary of State of it incorporation or organization.

(j) FIRPTA Certificate The Company shall deliver to Parent a certificate, dated as of the Closing Date, certifying to the effect that no interest in the Company is a U.S. real property interest (such certificate in the form required by U.S. Treasury Regulation § 1.897-2(h) and 1.1445-3(c)).

(k) Section 280G Payments With respect to any payments or benefits that Parent determines may constitute a Section 280G Payment, the Company Shareholders shall have approved, pursuant to the method provided for in the regulations promulgated under Section 280G of the Code, any such Section 280G Payments or shall have disapproved such payments and/or benefits, and, as a consequence, no Section 280G Payments shall be paid or provided for in any manner and Parent shall not have any liabilities with respect to any Section 280G Payments.

(l) No Litigation. There shall not be pending or threatened any Legal Proceeding in which a Governmental Authority or any Person is or is threatened to become a party or is otherwise involved: (i) challenging or seeking to restrain or prohibit the consummation of the Merger, (ii) relating to the Merger and seeking to obtain from the Company or any of the Company Subsidiaries, any damages or other relief in excess of $250,000, or (iii) that would materially and adversely affect the right of Parent, the Surviving Corporation or any subsidiary of Parent to (x) own the assets and operate the business of the Company and the Company Subsidiaries, taken as a whole or (y) prohibit or limit the exercise by Parent of any material right pertaining to ownership of the share capital of the Surviving Corporation.

(m) Delivery of Financial Statements Parent shall have received the Financial Statements from the Company and the Financial Statements shall meet the standards, requirements, conditions and thresholds set forth on **Exhibit A** in addition to any other requirements related to the Financial Statements in this Agreement.

(n) Tail Policy. Parent shall have received evidence that the Tail Policy has been obtained and that all premiums, fees and charges in connection therewith have been paid for the full term thereof.

(o) Officer's Certificate of the Company. Parent shall have received a certificate of the Company, validly executed for and on behalf of the Company and in its name by a duly authorized officer thereof, certifying that (i) the conditions set forth in Section 8.02(a), Section 8.02(b), Section 8.02(d), Section 8.02(e) and Section 8.02(l) have been satisfied and (ii) the Company Securityholder Schedule is true, complete and accurate in all respects as of the Closing Date.

(p) Leak-Out Agreements. The Company Shareholders as listed on **Exhibit C** shall have executed, and the Company shall have delivered to Parent, a copy of the form Leak-Out Agreement as attached hereto as **Exhibit C** (the "**Leak-Out Agreements**"). For the avoidance of doubt, the Parties acknowledge and agree that the Company shall utilize its commercially reasonable efforts to cause the Company Shareholders as listed on **Exhibit C** to execute and deliver the Leak-Out Agreement as referenced in this Section 8.02(p), but the failure to so deliver the Leak-Out Agreements from the Company Shareholders as listed on Exhibit C due to one or more of such Company Shareholder's refusal to sign the Leak-Out Agreement shall not be a breach of the Company's covenants and agreements herein provided that the Company has so utilized its commercially reasonable efforts to obtain the executed Leak-Out Agreements as set forth herein, provided that, notwithstanding the foregoing, in the event Company is unable to secure executed Leak-Out Agreements sufficient to encumber fifty percent (50%) of the outstanding and issued Company Shares prior to the Effective Time, Parent and Merger Sub shall have the right to terminate this Agreement in accordance with Section 10.01(b).

(q) Executed Trade. A wholesale cannabis transaction shall have taken place on the Company's Amercanex ACExchange from which the Company generates a transaction fee that is actually paid to Company by an unrelated third party.

(r) Ancillary Documents. The Parties shall have agreed on the form, terms and conditions of the Ancillary Documents as set forth in Section 2.20.

(s) Articles and Shares. The actions and event as set forth in Section 7.07(b), Section 7.07(c) and Section 7.07(d) shall have been completed.

Section 8.03 **Conditions to the Company's Obligations to Effect the Merger.** The obligations of the Company to consummate the Merger and the Transactions shall be subject to the satisfaction or waiver prior to the Effective Time of each of the following conditions, any of which may be waived exclusively by the Company:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub contained in this Agreement that are qualified or limited by a materiality, Material Adverse Effect or other similar standard shall be true and correct in all respects, and all other representations and warranties of the Parent and Merger Sub contained in this Agreement shall be true and correct in all material respects, in each case, as of the Effective Date and as of the Effective Time as if made on and as of the Effective Time, except to the extent such representations and warranties by their terms speak as of a specific date, which representations and warranties will have been true and correct as of such date.

(b) Performance of Obligations of Parent and Merger Sub Each of Parent and Merger Sub shall have performed in all material respects the obligations that are to be performed by Parent and Merger Sub under this Agreement at or prior to the Effective Time.

(c) Incumbency Certificate. The Company shall have received a certificate, dated as of the Closing Date and executed on behalf of Parent by its Chief Executive Officer, certifying the incumbency of each of the Parent's and Merger Sub's officers authorized to sign, on behalf of the Parent and Merger Sub, this Agreement and the Ancillary Agreements executed or to be executed and delivered by Parent or Merger Sub pursuant to this Agreement.

(d) Governmental and Other Approvals. The approvals, consents, waivers and notices required to be obtained or sent by the Parent or Merger Sub to or from any Person to consummate the Merger and the Transactions shall have been obtained, given or sent, as applicable, by the Parent or Merger Sub.

(e) Parent Material Adverse Effect. Since Effective Date there shall not have been any Parent Material Adverse Effect.

(f) Secretary's Certificates. The Company shall have received (i) a certificate, validly executed by the Secretary of Parent and Merger Sub, certifying as to the valid adoption of resolutions of the Parent Board (whereby the Merger and the Transactions were approved by the Parent Board).

(g) Good Standing Certificate. The Company shall have received (i) a certificate of good standing of Parent from the Secretary of State of the State of Delaware, and (ii) a certificate of good standing of Merger Sub from the Secretary of State.

(h) No Litigation. There shall not be pending or threatened any Legal Proceeding in which a Governmental Authority or any Person is or is threatened to become a party or is otherwise involved: (i) challenging or seeking to restrain or prohibit the consummation of the Merger, or (ii) relating to the Merger and seeking to obtain from the Company or any of the Company Subsidiaries, any damages or other relief in excess of $250,000.

(i) Officer's Certificate of Parent and Merger Sub The Company shall have received a certificate of Parent and Merger Sub, validly executed for and on behalf of Parent and Merger Sub and in their respective names by a duly authorized officer thereof, certifying that the conditions set forth in Section 8.03(a), Section 8.03(b), Section 8.03(d), Section 8.03(e) and Section 8.03(h) have been satisfied.

(j) Ancillary Documents. The Parties shall have agreed on the form, terms and conditions of the Ancillary Documents as set forth in Section 2.20.

(k) Articles and Shares. The actions and event as set forth in Section 7.07(b), Section 7.07(c) and Section 7.07(d) shall have been completed.

ARTICLE IX. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS; INDEMNIFICATION

Section 9.01 **Survival of Representations, Warranties and Covenants.** All representations, warranties, agreements, covenants and obligations in this Agreement, the Ancillary Agreements, the Company Schedule of Exceptions, any exhibit to this Agreement or an Ancillary Agreement or any agreement instrument, certificate or document specifically required to be delivered under this Agreement or an Ancillary Agreement by any Party are material and shall be deemed to have been relied upon by the Parties receiving the same. The representations and warranties of the Company contained in this Agreement, the Ancillary Agreements or in any certificate or other instrument delivered pursuant to this Agreement or the Ancillary Agreements, shall survive until 11:59 p.m. Mountain Time on the twenty-four (24) month anniversary of the Closing Date (the "***Expiration Date***"), other than the Fundamental Representations, the Tax Representation and the Special Representations, which shall survive each survive until 11:59 p.m. Mountain Time on the thirty-six (36) month anniversary of the Closing Date. The date until which any representation or warranty survives shall be referred to as the "***Survival Date***" for such representation or warranty. Notwithstanding anything in this Section 9.01 to the contrary, if, at any time prior to 11:59 p.m. Mountain Time on the applicable Survival Date, a claim for recovery is made hereunder, then the claim so asserted, and the applicable representations, warranties and covenants, shall survive the applicable Survival Date until such claim is fully and finally resolved. All covenants and agreements contained in this Agreement, the Ancillary Agreements or in any certificate or other writing delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the Closing and shall continue to remain in full force and effect in accordance with their express terms.

Section 9.02 **Indemnification by the Company Shareholders.** Subject to Section 9.05 and Section 9.06, if the Closing does not occur the Company agrees to, and if the Closing does occur the Company Shareholders agree to severally but not jointly, indemnify, reimburse and hold Parent and its officers, directors, stockholders and Affiliates, including the Surviving Corporation (the "**Parent Indemnified Parties**"), harmless against all claims, losses, Liabilities, damages, Taxes, deficiencies, costs and expenses, including reasonable accounting and auditors' fees, attorneys' fees and expenses of investigation and defense, interest, fines and penalties (hereinafter individually a "**Loss**" and collectively "**Losses**") paid, incurred or sustained by the Indemnified Parties, or any of them (including the Surviving Corporation), directly or indirectly, as a result of, with respect to or in connection with (a) any breach or inaccuracy of any representation or warranty of the Company contained in this Agreement, the Ancillary Agreements or in any certificate or other instruments delivered by or on behalf of the Company pursuant to this Agreement or the Ancillary Agreements or, in the case of a Third-Party Claim any allegation that, if true, would constitute such a breach or inaccuracy; (b) any failure by the Company to perform, fulfill or comply with any covenant or obligation applicable to it contained in this Agreement, the Ancillary Agreements or in any certificate or other instruments delivered pursuant to this Agreement or the Ancillary Agreements; and (c) any Pre-Closing Taxes.

Section 9.03 **Indemnification by the Parent.** Subject to Section 9.05 and Section 9.06, Parent agrees to indemnify, reimburse and hold the Company, the Company Securityholders and their respective officers, directors, stockholders and Affiliates (the "**Company Indemnified Parties**"), harmless against all Losses paid, incurred or sustained by the Company Indemnified Parties, or any of them, directly or indirectly, as a result of, with respect to or in connection with (a) any breach or inaccuracy of any representation or warranty of the Parent or Merger Sub contained in this Agreement, the Ancillary Agreements or in any certificate or other instruments delivered by or on behalf of the Parent or Merger Sub pursuant to this Agreement or the Ancillary Agreements or, in the case of a Third-Party Claim any allegation that, if true, would constitute such a breach or inaccuracy; (b) any failure by Parent or Merger Sub to perform, fulfill or comply with any covenant or obligation applicable to either of them contained in this Agreement, the Ancillary Agreements or in any certificate or other instruments delivered pursuant to this Agreement or the Ancillary Agreements; and (c) any Post-Closing Taxes.

Section 9.04 **Indemnification Procedure.** The Party making a claim under this Agreement is referred to as the "**Indemnified Party**" and the Party against whom such claims are asserted under this Agreement is referred to as the "**Indemnifying Party.**"

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any Third-Party Claim, subject to Section 9.04(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, provided, that if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party determines counsel is required. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to Section 9.04(b), pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Shareholder and Parent shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending Party, management employees of the non-defending Party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Party, except as provided in this Section 9.04(b). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third-Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third-Party Claim, the Indemnifying Party may settle the Third-Party Claim upon the terms set forth in such firm offer to settle such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 9.04(a), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) Direct Claims. Any Action by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a "**Direct Claim**") shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) calendar days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Company's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30) calendar day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

(d) Cooperation. Upon a reasonable request made by the Indemnifying Party, each Indemnified Party seeking indemnification hereunder in respect of any Direct Claim, hereby agrees to consult with the Indemnifying Party and act reasonably to take actions reasonably requested by the Indemnifying Party in order to attempt to reduce the amount of Losses in respect of such Direct Claim. Any costs or expenses associated with taking such actions shall be included as Losses hereunder.

Section 9.05 **Maximum Payments; Remedy.**

(a) If the Closing occurs, the maximum amount all Parent Indemnified Parties may collectively recover from the Company Shareholders pursuant to th indemnity set forth in Section 9.02 shall be limited to the Holdback Shares held by the Escrow Agent.

(b) If the Closing does not occur, the maximum amount all Parent Indemnified Parties may collectively recover from Company pursuant to the indemnity set forth in Section 9.02, shall be limited to a dollar amount equal to the Parent Share Price multiplied by the Parent Shares, in each case calculated a of the date of expiration or termination of this Agreement as though such date were the Closing Date.

(c) If the Closing occurs, the maximum amount all Company Indemnified Parties may collectively recover from Parent pursuant to the indemnity set forth in Section 9.02 shall be limited to a dollar amount equal to the Parent Share Price multiplied by the Holdback Shares as of the Closing Date.

(d) If the Closing does not occur, the maximum amount all Company Indemnified Parties may collectively recover from Parent pursuant to the indemnity set forth in Section 9.02, shall be limited to a dollar amount equal to the Parent Share Price multiplied by the Parent Shares, in each case calculated a of the date of expiration or termination of this Agreement as though such date were the Closing Date.

(e) Notwithstanding anything in this Agreement to the contrary, no indemnification claims for Losses shall be asserted by the Parent Indemnified Parties under Section 9.02 or by the Company Indemnified Parties under Section 9.03 unless, in either case, (x) any individual Loss or group or series o related Losses under Section 9.02 or Section 9.03, as applicable, exceeds $100,000 (the "**Basket Amount**"), whereupon the Parent Indemnified Parties or the Company Indemnified Parties, as applicable, shall be entitled to receive only amounts for Losses in excess of the Basket Amount subject to the limitations set forth herein.

Section 9.06 **Determination of Amount of Holdback Shares to Which Parent is Entitled.** For purposes of determining the number of Parent Shares to be released by the Escrow Agent to Parent as payment for Losses suffered and for which the Company Shareholders have indemnification obligations pursuan the terms herein, Parent and the Securityholder Representative shall, following agreement on such amount by Parent and the Securityholder Representative jointly direct the Escrow Agent (pursuant to Section 2.12(b)) to release to Parent the number of Parent Shares equal to the quotient obtained by dividing (a) the amount of such indemnifiable Losses by (b) the Parent Share Price. Assuming the Parent Shares then held by the Escrow Agent at the time such Loss is pai are sufficient (i.e., the resulting quotient is not more than the remaining Parent Shares then held by the Escrow Agent), such Losses shall be deemed and considered paid in full upon the release of such Parent Shares by the Escrow Agent to Parent.

Section 9.07 **Purchase Price Adjustments.** Amounts paid to or on behalf of any Person as indemnification under this Agreement shall be treated as adjustments to the Merger Consideration.

Section 9.08 **Sole Remedy.** Following the Closing, the Parties agree that, except for the availability of injunctive or other equitable relief, the rights to indemnification under this Article IX shall be the sole remedy that any Indemnified Party will have in connection with the Transactions.

Section 9.09 **Knowledge.** An Indemnified Party's rights herein shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) by, such Indemnified Party or any of its Representatives or Affiliates at any time, whether before or after the execution and delivery of this Agreement or the Effective Time. The waiver of any condition related to the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification or other remedy based upon any such representation, warranty, covenant or obligation.

Section 9.10 **Limitation on Damages.** In no event will any Party be liable to any other Party under or in connection with this Agreement or in connection with the Transactions for special, general, indirect, consequential, or punitive or exemplary damages, including damages for lost opportunity, even if the Party sought to be held liable has been advised of the possibility of such damage.

ARTICLE X. TERMINATION, AMENDMENT AND WAIVER

Section 10.01 **Termination.** This Agreement may be validly terminated only as follows (it being understood and hereby agreed that this Agreement may not be terminated for any other reason or on any other basis):

(a) at any time prior to the Effective Time (notwithstanding the prior receipt of the Company Shareholder Approval), by mutual written agreement of Parent and the Company; or

(b) by either the Company or Parent, at any time prior to the Effective Time (notwithstanding the prior receipt of the Company Shareholder Approval), in the event that the Effective Time shall not have occurred on or before 120 days following the Effective Date (such date referred to herein as the "Outside Date"); *provided, however,* that the right to terminate this Agreement pursuant to this Section 10.01(b) shall not be available to any Party whose breach of the terms and conditions of this Agreement have been a principal cause of, or primarily resulted in, the failure of the Effective Time to occur on or before such date; or

(c) by Parent, at any time prior to the Effective Time (notwithstanding the prior receipt of the Company Shareholder Approval), in the event that (i) Parent and Merger Sub have not breached (without a subsequent cure) any of their respective representations, warranties or covenants under this Agreement in any material respect, and (ii) the Company shall have breached any of its representations, warranties, covenants or agreements under this Agreement such that the conditions set forth in Section 8.02 would not be satisfied and shall have failed to cure, or cannot cure, such breach within fifteen (15) Business Days after the Company has received written notice of such breach from Parent; or

(d) by Parent, at any time prior to the Effective Time, if there shall have occurred a Company Material Adverse Effect after the Effective Date; or

(e) by the Company, at any time prior to the Effective Time, if there shall have occurred a Parent Material Adverse Effect after the Effective Date or if the weighted average closing price of the Parent Shares quoted on the website of OTC Markets Group over a forty-five (45) trading day period at any time falls below $0.50 prior to Closing; or

(f) by the Company, at any time prior to the Effective Time (notwithstanding the prior receipt of the Company Shareholder Approval), in the event that (i) the Company has not breached (without a subsequent cure) any of its representations, warranties or covenants under this Agreement in any material respect and (ii) Parent or Merger Sub shall have breached any of its representations, warranties or covenants under this Agreement such that the conditions set forth in Section 8.03 would not be satisfied and shall have failed to cure, or cannot cure, such breach within fifteen (15) Business Days after Parent has received written notice of such breach from the Company;

(g) by the Company in the event that the Company Shareholder Approval is not obtained, provided that the Parties agree that the provisions of Section 10.01(h) shall apply if the failure to obtain the Company Shareholder Approval was predated by the Company Board withdrawing or modifying its approval or recommendation of this Agreement or the Merger in order to comply with its fiduciary duties under applicable law as set forth in Section 10.01(h); or

(h) by the Company, at any time prior to the Effective Date in the event that (i) the Company has not breached or been deemed to have breached Section 5.02; (ii) the Company Board has received a Superior Proposal (iii) in light of such Superior Proposal, the Company Board shall have determined in good faith, after consultation with outside counsel, that it is necessary for the Company Board to withdraw or modify its approval or recommendation of this Agreement or the Merger in order to comply with its fiduciary duty under applicable law; (iv) the Company has notified the Parent in writing of the determinations described in clause (iii) above; (v) at least 5 Business Days following receipt by the Parent of the notice referred to in clause (iv) above, and taking into account any revised proposal made by the Parent, such Superior Proposal remains a Superior Proposal and the Company Board has again made the determinations referred to in clause (iii) above; and (vi) the Company Board concurrently approves, and the Company concurrently enters into, a definitive agreement providing for the implementation of such Superior Proposal, provided that, in the event the Company terminates this Agreement pursuant to the terms of this Section 10.01(h), the Company shall pay a termination payment to Parent in the amount of six hundred thousand dollars ($600,000).

Section 10.02 **Notice of Termination; Effect of Termination.** Any proper and valid termination of this Agreement pursuant to Section 10.01 shall be effective immediately upon the delivery of written notice of the terminating Party to the other Party or Parties, as applicable, setting forth the particular subsection of Section 10.01 pursuant to which this Agreement is being terminated. In the event of the termination of this Agreement pursuant to Section 10.01 this Agreement shall be of no further force or effect without liability of any Party or Parties, as applicable (or any director, officer, employee, Affiliate, agent or other representative of such Party or Parties) to any other Party or Parties hereto, as applicable, except (a) for the terms of Section 7.05, this Section 10.02 Section 10.03 and Article XIII, each of which shall survive the termination of this Agreement, and (b) nothing in this Agreement shall relieve any Party from liability for any breach of this Agreement prior to any such termination.

Section 10.03 **Fees and Expenses.** Each Party shall bear its own fees and Expenses incurred in connection with this Agreement and the Transactions contemplated hereby, whether or not the Merger is consummated; *provided, however,* that the Expenses associated with the printing, filing and mailing of any solicitation for the Company Shareholder Approval shall be borne by the Company.

Section 10.04 **Amendment.** Subject to applicable Law and the other provisions of this Agreement, this Agreement may be amended by the Parties at any time only by execution of an instrument in writing signed on behalf of each of Party; *provided, however,* that in the event that the Company has received the Company Shareholder Approval, no amendment shall be made to this Agreement that requires the approval of the Company Shareholders under applicable Law without obtaining the Company Shareholder Approval of such amendment. After the Effective Time, the Company Securityholders agree that any amendment of this Agreement signed by the Securityholder Representative shall be binding upon and effective against all Company Securityholders whether or not they have signed such Amendment.

Section 10.05 **Extension; Waiver.** At any time and from time to time prior to the Effective Time, any Party may, to the extent legally allowed and except as otherwise set forth herein, (a) extend the time for the performance of any of the obligations or other acts of any other Party, (b) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions for the benefit of such Party hereto contained herein. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. Any delay in exercising any right under this Agreement shall not constitute a waiver of such right. For purposes of this Section 10.05, the Company Securityholders agree that any extension or waiver signed by the Securityholder Representative shall be binding upon and effective against all Company Securityholders whether or not they have signed such extension or waiver.

ARTICLE XI. THE SECURITYHOLDER REPRESENTATIVE

Section 11.01 **Appointment of Securityholder Representative.** By virtue of the approval of the Merger and this Agreement by the Company Stockholder Approval, each of the Company Securityholders shall be deemed to have agreed to appoint the Securityholder Representative as its agent and attorney-in-fact as the representative of, for and on behalf of, the Company Securityholders to take all actions under this Agreement that are to be taken by the Securityholder Representative, including to amend this Agreement, to waive any provision of this Agreement, to negotiate payments due pursuant to this Agreement, to give and receive notices and communications, to authorize payment to any Indemnified Party from the Holdback Shares in satisfaction of claims by any Indemnified Party, to object to such payments, to agree to, negotiate, enter into settlements and compromises of, comply with orders of courts with respect to, and to assert any claims by any Indemnified Party against any Company Securityholder or by any such Company Securityholder against any Indemnified Party or any dispute between any Indemnified Party and any such Company Securityholder, in each case relating to this Agreement or the Transactions, and to take all other actions that are either (a) necessary or appropriate in the judgment of the Securityholder Representative for the accomplishment of the foregoing or (b) specifically mandated by the terms of this Agreement. The Securityholder Representative may be changed by the Company Shareholders from time to time upon not less than thirty (30) days' prior written notice to Parent and upon the prior written consent of holders of at least a two-thirds of the issued and outstanding Company Shares as of the Effective Date. In the event a vacancy in the position of Securityholder Representative exists for fifteen (15) or more days, Parent shall have the right to petition a court of competent jurisdiction to appoint a replacement Securityholder Representative. No bond shall be required of the Securityholder Representative, and the Securityholder Representative shall not receive any compensation for its services. Notices or communications to or from the Securityholder Representative shall constitute notice to or from the Company Securityholders.

Section 11.02 **Representations and Warranties of the Securityholder Representative.** The Securityholder Representative represents and warrants to Parent and to the Exchange Agent that it has the irrevocable right, power and authority to enter into and perform this Agreement and to perform his obligations hereunder.

Section 11.03 **Right to Rely.** Until notified in writing by the Securityholder Representative that it has resigned or been replaced, Parent and the Exchange Agent may rely conclusively and act upon the directions, instructions and notices of the Securityholder Representative. A decision, act, consent or instruction of the Securityholder Representative, including an amendment, extension or waiver of this Agreement, shall constitute a decision of the Company Securityholders and shall be final, binding and conclusive upon the Company Securityholders; and the Exchange Agent and Parent may rely upon any such decision, act consent or instruction of the Securityholder Representative as being the decision, act, consent or instruction of the Company Securityholders. The Exchange Agent and Parent are hereby relieved from any liability to any Person for any decision, act, consent or instruction of the Securityholder Representative.

Section 11.04 **Powers and Authorization of the Securityholder Representative.** The Company and the Company Securityholders each hereby authorize the Securityholder Representative to:

(a) Receive all notices or documents given or to be given to the Company Securityholders pursuant hereto or in connection herewith or therewith and to receive and accept services of legal process in connection with any suit or proceeding arising under this Agreement;

(b) Engage counsel, and such accountants and other advisors and incur such other expenses in connection with this Agreement and the Transactions as the Securityholder Representative may in its sole discretion deem appropriate (such expenses, the "**Representative Expenses**"); and

(c) Take such action as the Securityholder Representative may in its sole discretion deem appropriate in respect of: (i) waiving any inaccuracies in the representations or warranties of Parent or Merger Sub contained in this Agreement or in any document delivered by Parent or Merger Sub pursuant hereto; (ii) taking such other action as the Securityholder Representative is authorized to take under this Agreement; (iii) receiving all documents or certificates and making all determinations, in its capacity as Securityholder Representative, required under this Agreement; and (iv) all such actions as may be necessary to carry out any of the Transactions, including the defense and/or settlement of any claims for which indemnification is sought pursuant to this Agreement and any waiver of any obligation of Parent or the Surviving Corporation.

Section 11.05 **Reimbursement and Indemnification of the Securityholder Representative.** The Securityholder Representative shall not be liable for any act done or omitted hereunder as Securityholder Representative while acting in good faith and in the exercise of reasonable judgment. The Company and Parent shall jointly indemnify the Securityholder Representative and hold the Securityholder Representative harmless against any loss, liability or expense incurred without gross negligence or bad faith on the part of the Securityholder Representative and arising out of or in connection with the acceptance or administration of the Securityholder Representative's duties hereunder, including the reasonable fees and expenses of any legal counsel retained by the Securityholder Representative.

ARTICLE XII. TAX MATTERS

Section 12.01 **Filing of Tax Returns; Payment of Taxes.**

(a) From and after the Closing Date, the Surviving Corporation shall cause to be timely prepared and filed with the appropriate Governmental Authority a Tax Returns of the Company and the Company Subsidiaries for all Pre-Closing Tax Periods that are required to be filed after the Closing Date including for those jurisdictions and Governmental Authorities that permit or require a short period Tax Return for the period ending on the Closing Date. Except as otherwise may be approved by the Securityholder Representative in its sole discretion, all such Tax Returns for any Pre-Closing Tax Period or Straddle Period must be prepared (i) in accordance with applicable Law and (ii) consistent with the past practices of the Company or the applicable Company Subsidiary except as otherwise required by applicable Law. The Securityholder Representative shall cooperate fully and promptly in connection with the preparation and filing of such Tax Returns, subject to the provisions of Section 12.01(b).

(b) The Securityholder Representative will be given a reasonable opportunity, and in no event less than fifteen (15) Business Days, to review, comment upon, and approve any Tax Returns which relate to a Pre-Closing Tax Period or the Straddle Period or which could reasonably be expected to affect the Tax liability of a Company Shareholder (including any indemnification obligation with respect to Taxes pursuant this Agreement), such approval not to be unreasonably withheld, conditioned or delayed.

(c) None of Parent or any of its Affiliates may (or after the Closing, may cause or permit the Company or the Company Subsidiaries to) amend, refile or otherwise modify (or grant an extension of any statute of limitations with respect to) any Tax Return relating in whole or in part to the Company or the Company Subsidiaries that relates to any Pre-Closing Tax Period except as otherwise required by applicable Law.

Section 12.02 **Preparation and Filing of Pre-Closing and Post-Closing Period Tax Returns.**

(a) The Surviving Corporation shall prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns of the Company for all Post-Closing Periods that are required to be filed after the Closing Date. The Surviving Corporation shall permit the Securityholder Representative to review and comment on each such Tax Return described in the preceding sentence prior to filing and shall make such revisions to such Tax Returns as are reasonably requested by the Securityholder Representative within 15 days of receipt of such Tax Returns.

(b) The Surviving Corporation shall prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns of the Company for Tax periods that begin on or before the Closing Date and end after the Closing Date (each a "Straddle Period"). The Surviving Corporation shall permit the Securityholder Representative to review and comment upon such Tax Returns and shall make such revisions to such Tax Returns as are reasonably requested by the Stockholder Representative within 15 days of receipt of such Tax Returns.

Section 12.03 **Cooperation on Tax Matters.** Subject to the provisions of Section 12.04, Parent, the Company, the Company Subsidiaries and the Securityholder Representative shall cooperate, as and to the extent reasonably requested by the other Party, in connection with the preparation and filing of Tax Returns required to be filed pursuant to this Article XII. Such cooperation will include the retention and (upon any other Party's request) the provision of records and information that are reasonably required in connection with the preparation and filing of any such Tax Return. Parent and the Securityholder Representative will retain all books and records with respect to Tax matters pertinent to the Company and the Company Subsidiaries relating to any Taxable Period beginning before the Closing Date until the expiration of the applicable statute of limitations (and, to the extent notified by Parent or the Securityholder Representative, any extensions thereof) of the respective Taxable Periods, and to abide by all Tax record retention agreements entered into with any Governmental Authority.

Section 12.04 **Amended Tax Returns**. Any amended Tax Return or refund claim the Company or any Company Subsidiary was required by applicable Law to file but failed to so file relating to a Pre-Closing Tax Period or a Straddle Period of the Company or any Company Subsidiary that is prepared and filed after the Closing Date shall be filed by Parent only after giving the Securityholder Representative a reasonable opportunity to review and consent to such amended Tax Return or refund claim, such consent not to be unreasonably withheld, conditioned or delayed; *provided, however,* that if such amended Tax Return or refund claim could reasonably be expected to increase the Tax liability of a Company Shareholder (including any indemnification obligation with respect to Taxes pursuant to this Agreement), it will be reasonable for the Securityholder Representative to withhold consent from any such amendment or claim proposed by or on behalf of Parent to the extent that the Tax Return filings of the Company or any Company Subsidiary in the absence of filing such amended Tax Return or refund claim would be in accordance with applicable Law. Without the prior written consent of Securityholder Representative, Parent shall not make, change or rescind any Tax election, amend any Tax Return or take any position on any Tax Return, take any action, omit to take any action or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of the Company or any Company Shareholder in respect of any Pre-Closing Tax Period.

Section 12.05 **Audits and Contests with Respect to Taxes.**

(a) Parent and the Securityholder Representative will notify the other in writing within fifteen (15) Business Days after receipt by Parent or the Securityholder Representative of written or oral notice of any pending or threatened audit or assessment with respect to Taxes of the Company or the Company Subsidiaries relating to any Pre-Closing Tax Period or Straddle Period.

(b) Parent shall control all audits and assessments with respect to Taxes occurring or received after the Closing Date, but to the extent that any such matter relates to a Pre-Closing Tax Period or the Pre-Closing portion of any Straddle Period that would increase the obligation of the Company Shareholders for Taxes, Parent agrees (i) to keep the Securityholder Representative reasonably informed of developments with respect to such audit or assessment, (ii) to negotiate with the relevant Governmental Authority for a resolution of such audit or assessment in good faith and in a manner that does not unfairly compromise Pre-Closing Taxes as compared to Post-Closing Taxes and (iii) to obtain the consent of the Securityholder Representative prior to the settlement of the portion of the audit or assessment relating to the Pre-Closing Tax Period, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 12.06 **Transfer Taxes.** Notwithstanding Section 12.01, all federal, state, local, foreign and other transfers, sales, use or similar Taxes applicable to, imposed upon or arising out of the Transactions shall be borne equally by Parent and the Company.

ARTICLE XIII. GENERAL PROVISIONS

Section 13.01 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly delivered and received hereunder (i) three (3) Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid, (ii) two (2) Business Day after being sent for next Business Day delivery, fees prepaid, via a reputable international overnight courier service, or (iii) immediately upon delivery by email, by hand delivery or by facsimile (with a written or electronic confirmation of receipt), in each case to the intended recipient as set forth below:

(a) if to Parent or Merger Sub:

Helix TCS, Inc.
Attn: Zachary L. Venegas
5300 DTC Parkway, Suite 300
Greenwood Village, CO 80111
email: zvenegas@helixtcs.com

with a copy (which shall not constitute notice) to:

Nelson Mullins Riley & Scarborough LLP
4140 Parklake Avenue, Suite 200
Raleigh, North Carolina 27612
Attn: W. David Mannheim
Email: david.mannheim@nelsonmullins.com

(b) if to the Company or Securityholder Representative:

Green Tree International, Inc.
600 17th Street, Suite 2800
South Denver, CO, 80202
Attention: Steve Janjic, CEO
Email: steve.janjic@amercanex.com

with a copy (which shall not constitute notice) in either case to:

Anthony L.G., PLLC
Attn: John Cacomanolis
625 N. Flagler Drive, Suite 600
West Palm Beach, FL 33401
Email: jcacomanolis@anthonypllc.com

Section 13.02 **Assignment.** No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties. Subject to the preceding sentence, this Agreement shall (i) be binding upon the Parties and their respective successors and permitted assigns and (ii) shall inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 13.03 **Entire Agreement.** This Agreement and the documents and instruments and other agreements among the Parties as contemplated by or referred to herein, including the Company Schedule of Exceptions and the Exhibits hereto, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

Section 13.04 **Dispute Resolution.**

(a) If there is any dispute or controversy relating to this Agreement or any of the Transactions (each, a "**Dispute**"), such Dispute shall be resolved in accordance with this Section 13.04.

(b) The Party claiming a Dispute shall deliver to each of the other Parties a written notice (a "**Notice of Dispute**") that will specify in reasonable detail the dispute that the claiming Party wishes to have resolved. In any such arbitration pursuant to this Section 13.04, the Securityholder Representative shall have the power to act for and to bind the Company Securityholders and Parent shall have the power to act for and to bind Merger Sub. If the Company, the Securityholder Representative and the Parent are not able to resolve the dispute within five (5) Business Days of a Party's receipt of an applicable Notice of Dispute, then such Dispute shall be submitted to binding arbitration in accordance with this Section 13.04.

(c) Any arbitration hereunder shall be conducted in accordance with the rules of the American Arbitration Association then in effect. The Securityholder Representative and the Parent shall each select one arbitrator, and the two arbitrators so selected shall select a third arbitrator, and the three arbitrators shall resolve the Dispute. The arbitrators will be instructed to prepare in writing as promptly as practicable, and provide to the Parent and the Securityholder Representative, such arbitrators' determination, including factual findings and the reasons on which the determination was based. The decision of the arbitrators will be final, binding and conclusive and will not be subject to review or appeal and may be enforced in any court having jurisdiction over the Parties. Each party shall initially pay its own costs, fees and expenses (including, without limitation, for counsel, experts and presentation of proof) in connection with any arbitration or other action or proceeding brought under this Section 13.04, and the fees of the arbitrators shall be share equally, provided, however, that the arbitrators shall have the power to award costs and expenses in a different proportion.

(d) The arbitration shall be conducted in Denver, Colorado.

Section 13.05 **Third Party Beneficiaries.** This Agreement is not intended to, and shall not, confer upon any other Person any rights or remedies hereunder, except (a) Indemnified Parties in accordance with 0, (b) D&O Indemnified Persons in accordance with Section 6.01, and (b) from and after the Effective Time, the rights of Company Securityholders to receive the amounts to which they are entitled pursuant to Article II.

Section 13.06 **Severability.** In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

Section 13.07 **Remedies.**

(a) Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

(b) The Parties hereby agree that irreparable damage would occur in the event that any provision of this Agreement were not performed in accordance with its specific terms or was otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such damages. Accordingly, the Parties acknowledge and hereby agree that in the event of any breach or threatened breach by a Party of any of its respective covenants or obligations set forth in this Agreement, any other Party shall be entitled to seek an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement by such Party, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of such Party under this Agreement. Each Party hereby irrevocably and unconditionally waives any requirement for the securing or posting of any bond in connection with any such equitable or injunctive remedy.

Section 13.08 **Governing Law.** This Agreement and any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, the negotiation, execution, existence, validity, enforceability or performance of this Agreement, or for the breach or alleged breach hereof (whether in contract, in tort or otherwise) shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to the conflicts of law principles thereof, except to the extent as specifically set forth herein or that it is mandatory, under the laws of the State of Colorado, that the Colorado Corporation Law apply to this Agreement and the Merger.

Section 13.09 **Consent to Jurisdiction and Venue; WAIVER OF JURY TRIAL.**

(a) Each of the Parties hereby irrevocably submits to the personal jurisdiction of United States Federal Courts and the courts of the State of Colorado, in each case located in Arapahoe County, Colorado (the "**Chosen Courts**") solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in or contemplated by this Agreement, and in respect of the Transactions, or the negotiation, execution or performance hereof, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in the Chosen Courts or that any Chosen Court is an inconvenient forum or that the venue thereof may not be appropriate, or that this Agreement or any such document may not be enforced in or by such Chosen Court, and each of the Parties hereto irrevocably agrees that all claims actions, suits and proceedings or other causes of action (whether at Law, in contract, in tort or otherwise) that may be based upon, arising out of or relating to this Agreement or any of the Transactions, or the negotiation, execution or performance hereof shall be heard and determined exclusively in the Chosen Courts. Each of the Parties hereby consents to and grants any such Chosen Court jurisdiction over the person of such Party and, to the extent permitted by Law, over the subject matter of such dispute and agrees that mailing of process or other papers in connection with any such action, suit or proceeding in the manner as may be permitted by Law shall be valid, effective and sufficient service thereof.

(b) Each of the Parties acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any action, suit or proceeding directly or indirectly arising out of or relating to this Agreement or the Transactions. Each Party certifies and acknowledges that (i) no representative, agent or attorney of any other Party has represented, expressly or otherwise, that such other Party would not, in the event of such action, suit or proceeding, seek to enforce the foregoing waiver, (ii) each of the Parties understands and has considered the implications of this waiver, and (iii) each Party makes this waiver voluntarily.

Section 13.10 **Specific Performance.** The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that (i) provided that Parent does not terminate this Agreement pursuant to the provisions herein, Parent shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which Parent is entitled at law or in equity; and (ii) provided that the Company does not terminate this Agreement pursuant to the provisions herein, the Company shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which the Company is entitled at law or in equity. In the event that specific performance is granted to a Party pursuant to the terms and conditions herein, such Party shall also be entitled to be awarded its costs and expenses (including reasonable attorneys' fees and expenses) incurred solely in connection with obtaining such specific performance. The preceding sentence will not limit the right or ability of a Party seeking specific performance to recover damages, costs or expenses, under another provision of this Agreement or of any other document or agreement related hereto.

Section 13.11 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery (including, without limitation, in .pdf or other scan format) shall be sufficient to bind the Parties to the terms and conditions of this Agreement.

[*Signature Page Follows.****]***

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by their respective duly authorized officers to be effective of the date first above written.

HELIX TCS, Inc.

By: _____
Name: Zachary Venegas
Title: Chief Executive Officer

HELIX ACQUISITION SUB, INC.

By: _____
Name: Zachary Venegas
Title: President

GREEN TREE INTERNATIONAL, INC.

By: _____
Name: Steve Janjic
Title: Chief Executive Officer

Securityholder Representative

By: _____
Steve Janjic

Exhibit A

Financial Statements Requirements

The Company, as of the Closing, shall have a minimum of $500,000 in assets and maximum of $700,000 in Liabilities, in each cash calculated in accordance with GAAP.

Exhibit B

Form Upside Payment Agreement

(Attached)

Exhibit C

Company Shareholders Subject to Leak-Out Agreement:

- Steve Janjic
- Adam Martin
- Michael Herron
- Lisa Hopkins
- Dennis Garces
- Richard Schaeffer

Form of Leak-Out Agreement

(Attached)

Exhibit 24.1

HELIX TCS, INC.

POWER OF ATTORNEY

The undersigned directors and officers of Helix TCS, Inc., a Delaware corporation (the "Corporation"), do hereby constitute and appoint Scott M Ogur, W. David Mannheim, Esq., and Andrew C. Nielsen, Esq., and each of them severally, to be true and lawful agents and attorneys-in-fact, each acting alone with full power of substitution and resubstitution, for him and in his name, place and stead, to sign in any and all capacities the Annual Report on Form 10-K for the year ended December 31, 2018, and any and all amendments and supplements thereto, and to file, or cause to be filed, the same with all exhibits thereto (including this power of attorney), and other documents in connection therewith with the Securities and Exchange Commission, and we do hereby grant unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in or about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have signed this Power of Attorney in the capacities and on the date indicated.

Signature	Capacity	Date
/s/ Zachary L. Venegas Zachary L. Venegas	Chief Executive Officer, Director (Principal Executive Officer)	March 27, 2019
/s/ Scott M. Ogur Scott M. Ogur	Chief Financial Officer, Director (Principal Financial Officer)	March 27, 2019
/s/ Paul Hodges Paul Hodges	Director	March 27, 2019
/s/ Terence J. Ferraro Terence J. Ferraro	Director	March 27, 2019
/s/ Satyavrat Joshi Satyavrat Joshi	Director	March 27, 2019
/s/ Andrew Schweibold Andrew Schweibold	Director	March 27, 2019
/s/ Patrick Vo Patrick Vo	Director	March 27, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Zachary L. Venegas, certify that:

1. I have reviewed this Form 10-K Helix TCS, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 29, 2019

By: */s/ Zachary L. Venegas*
Zachary L. Venegas
Chief Executive Officer
Principal Executive Officer
Helix TCS, Inc.

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Scott Ogur, certify that:

1. I have reviewed this Form 10-K of Helix TCS, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 29, 2019

By: */s/ Scott Ogur*
Scot Ogur
Chief Financial Officer
Principal Financial Officer
Helix TCS, Inc.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Helix TCS, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, as filed with the U. Securities and Exchange Commission on the date hereof, I, Zachary L. Venegas, Principal Executive Officer of the Company, certify to the best of m knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the fiscal year ended December 31, 2018, fully complies with the requirements of section 13(a) or 15(d) o the Securities Exchange Act of 1934; and

(2) The information contained in such Annual Report on Form 10-K for the fiscal year ended December 31, 2018, fairly presents, in all materia respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

By: */s/ Zachary L. Venegas*
Zachary L. Venegas
Chief Executive Officer
Principal Executive Officer
Helix TCS, Inc.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Helix TCS, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, as filed with the U. Securities and Exchange Commission on the date hereof, I, Scott Ogur, Principal Financial Officer of the Company, certify to the best of my knowledge pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the fiscal year ended December 31, 2018, fully complies with the requirements of section 13(a) or 15(d) o the Securities Exchange Act of 1934; and

(2) The information contained in such Annual Report on Form 10-K for the fiscal year ended December 31, 2018, fairly presents, in all materia respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

By: */s/ Scott Ogur*
Scott Ogur
Chief Financial Officer
Principal Financial Officer
Helix TCS, Inc.