**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 31, 2021**

**RED CAT HOLDINGS, INC.**
(Exact name of registrant as specified in its charter)

| **Nevada** | **814-00175** | **86-0490034** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| **370 Harbour Drive, Palmas del Mar**<br>**Humacao, PR** | **00791** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(833) 373-3228**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, par value $0.001 | RCAT | Nasdaq Capital Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

**Section 2 - Financial Information**

**Item 2.01 - Completion of Acquisition or Disposition of Assets**

**Item 2.03 – Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On August 31, 2021, we closed on the acquisition of Teal Drones Inc., ("Teal") a Delaware corporation. As previously disclosed in our Current Report on Form 8-K filed July 14, 2021, our acquisition of Teal was made pursuant to an Agreement and Plan of Merger by and among Red Cat Holdings, Inc., a Nevada corporation (the "Company"), Teal Acquisition I Corp., a Delaware corporation ("Acquisition") and wholly-owned subsidiary of the Company, and Teal, as amended and restated August 31, 2021 (the "Merger Agreement").

Teal is a leader in commercial and government unmanned aerial vehicle ("UAV") technology and manufactures the Golden Eagle drone, approved by the US Department of Defense for reconnaissance, public safety, and inspection applications.

Pursuant to the Merger Agreement, we acquired all of the issued and outstanding share capital of Teal in exchange for $14,000,000 of our common stock, par value $0.001 per share ("Common Stock") at the Volume Weighted Average Price (VWAP) of our Common Stock on August 31, 2021 of $2.908 per share, reduced by the amount of Teal debt assumed consisting of approximately $1.67 million payable to Decathlon Alpha IV, L.P., ("DA4"), approximately $771,000 payable to other creditors and approximately $686,000 in working capital deficit, for a net closing date payment of $10,872,753.19. At closing, we issued 3,738,911 shares of our Common Stock (the "Merger Consideration"). On August 31, 2021, the Company, Acquisition, Teal and George Matus, as Shareholder Representative, entered into an Escrow Agreement with Equity Stock Transfer, LLC. Fifteen (15%) percent of the Merger Consideration (the "Escrow Shares") was deposited in an escrow account as security for working capital adjustments and indemnification obligations for a period of eighteen (18) months under the Merger Agreement. The indemnification obligations feature a basket amount of fifty-thousand dollars ($50,000) before any claim can be asserted and is subject to a cap equal to the value of the Escrow Shares. George Matus, founder of Teal, will continue in the role of Chief Executive Officer of Teal pursuant to an employment agreement entered August 31, 2021.

The consideration payable under the Merger Agreement may be increased upon the achievement of certain milestones set forth in the Merger Agreement (the "Earn-Out Consideration"). Additional shares of Common Stock may become issuable by the Company in the event that within twenty-four (24) months following closing of the Merger, Teal realizes certain revenue targets. A total of Sixteen Million Dollars ($16,000,000) in additional shares of Common Stock may become issuable in the event that sales and services of Teal's Golden Eagle drones shall have equaled at least Thirty-six Million Dollars ($36,000,000). A total of Ten Million Dollars ($10,000,000) in additional shares of Common Stock may become issuable in the event that sales and services of Teal's Golden Eagle drones shall have equaled at least $24 million ($24,000,000) but less than $36 million ($36,000,000). A total of Four Million Dollars ($4,000,000) in additional shares of Common Stock may become issuable in the event that sales and services of Teal's Golden Eagle drones shall have equaled at least Eighteen Million Dollars ($18,000,000) but less than Twenty-Four Million Dollars ($24,000,000). Additional Share Consideration, if earned, is issuable at the VWAP of the Company within thirty (30) days of the determination that Earn-Out Consideration is payable.

The Merger Agreement requires that within forty-five (45) days following execution Teal shall prepare and deliver to the Company US GAAP audited financial statements prepared by a PCAOB (Public Company Accounting Oversight Board) firm in such form and for such periods as is required to be filed in a Current Report on Form 8-K by the Company to be filed with the SEC following Closing (the "Audited Financial Statements") as well as unaudited reviewed quarterly financial information as is required to be filed in a Current Report on form 8-K by the Company. As of the date hereof Teal has not provided the Company with the Audited Financial Statements.

On August 31, 2021, Teal entered into an Amended and Restated Loan and Security Agreement with DA4 (the "Loan Agreement") in the amount of $1,670,294 (the "Loan"), representing the outstanding principal amount previously due and owing by Teal to DA4. Interest on the Loan accrues at a rate of ten (10%) percent per annum. Principal and interest under the term Loan is payable monthly in an amount equal to $49,275 until maturity on December 31, 2024. Teal may prepay the loan at any time, subject to a prepayment premium of $300,705, less the amount of any prior payments of interest. Under the Loan Agreement, Teal granted DA4 a continuing security interest in substantially all of the assets of Teal. In the event of a default under the loan DA4 may declare the full amount of the Loan immediately due and payable as a secured lender and take additional actions as a secured lender including seeking to foreclose on collateral pledged under the Loan Agreement. The Company agreed to guaranty the obligations of Teal under the Loan pursuant to a Joinder Agreement dated August 31, 2021.

The foregoing descriptions of the terms of the Merger Agreement, Joinder Agreement, Escrow Agreement and Loan Agreement are qualified in their entirety by reference to the full text of the Agreements, which are filed herewith as Exhibits 10.1, 10.2, 10.3 and 10.4 to this Current Report on Form 8-K.

**Section 3 - Securities and Trading Markets**

**Item 3.02 – Unregistered Sales of Equity Securities**

On August 31, 2021, we issued a total of 3,738,911 shares of our Common Stock to the prior owners of Teal pursuant to the Merger Agreement. The issuance was exempt under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

**Section 5 - Corporate Governance and Management**

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

George Matus, 23, is founder and CEO of Teal a company he started at age 17. After developing novel drone technologies like thrust vectoring multi-rotors and modular and extensible architectures, among others, he raised several rounds of venture capital, launched three domestically manufactured products, and was awarded a pivotal contract with the U.S. Army which led to development of Teal's flagship product, the Golden Eagle drone. Mr. Matus is a Peter Thiel Fellow, a Forbes "30 Under 30" member, was recognized by TIME Magazine as one of the 30 most influential teens in America, has competed with the first ever drone on the Battlebots television series, and holds 8 issued patents.

On September 1, 2021 the Company and George Matus entered into an employment agreement under which Mr. Matus will serve as Chief Executive Officer of Teal. The Employment Agreement has an initial term of one (1) year and is automatically renewed for successive periods of one (1) year unless either party provides the other party with notice of intention not to renew. During the term of employment Mr. Matus will be entitled to receive an annual base salary of $130,000 plus bonus upon achievement of certain milestones. In the event that Teal revenues exceed $2.5 million from September 1, 2021 to December 31, 2021, the base salary will increase to $150,000 effective January 1, 2022. In the event Teal revenues exceed $9 million from January 1, 2022 to December 31, 2022, the base salary will increase to $170,000. In addition, Mr. Matus was awarded 400,000 shares of restricted Common Stock under the Company's 2019 Incentive Plan, twenty-five (25%) percent of which vested on the date of closing of the acquisition of Teal, twenty-five (25%) percent on the twelve (12) months anniversary thereof, and six and one-quarter (6.25%) percent quarterly thereafter until fully-vested, subject to immediate acceleration as to 50%, which shall vest in twelve (12) months if the trailing twelve (12) months revenue is greater than $10 million and 100% in twenty-four (24) months if the trailing twelve (12) month revenue is greater than $15 million, provided twenty-five (25%) percent margins are maintained. Upon termination by the Company or by Mr. Matus for "Good Reason" Mr. Matus shall be entitled to all benefits through the date of termination and, other than if termination is by the Company for "Cause", Mr. Matus shall be entitled to 12 months' severance, subject providing the Company with a full release. Cause means indictment, plea of no contest, guilty, or similar plea deal, or conviction of (x) a felony or (y) a crime involving fraud, embezzlement, or other crime that, in the Company's reasonable discretion, will materially negatively impact the Company or its image, (ii) willful disregard of, or his willful failure to perform, his material duties under this Employment Agreement or his willful disregard of the reasonable written policies of the Company, which, if curable, is not cured by Matus within thirty (30) days after delivery of notice by the Company of such breach, or (iii) material violation of any of the covenants and conditions of this Agreement (provided that, if such violation can be cured, Matus shall have a period of thirty (30) days after delivery of notice by the Company of such breach. "Good Reason" shall mean: (i) a reduction of Matus' salary and bonus eligibility, provided, however, that other similarly situated employees of the Company are not subject to a similar reduction in salary and bonus eligibility; (ii) a material diminution of Matus' authority, duties, or responsibilities, provided that Matus gives the Company written notice of such material diminution and a thirty (30) day period in which to cure such action and, if the Company cures the action, then Good Reason shall not exist; or (iii) a change in Matus' principal place of work to a location greater than thirty (30) miles from Matus' principal place of work immediately prior to such a change, provided that Matus does not consent to such change. During the term of employment and for a period of twelve (12) months thereafter, Mr. Matus is subject to various covenants against competition and solicitation of vendors or employees.

The foregoing description of the terms of the Employment Agreement is qualified in its entirety by reference to the full text of the Employment Agreement which is filed herewith as Exhibit 10.5 to this current Report on Form 8-K.

**Section 7 – Regulation FD**
**Item 7.01 Regulation FD Disclosure**

On September 1, 2021, we released the press release furnished herewith as Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K under Item 7.01, including Exhibit 99.1 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any of the Company's filings under the Securities Act, or the Securities Exchange Act of 1934, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

**Section 9 – Financial Statements and Exhibits**

**Item. 9.01. Financial Statements and Exhibits.**

| Exhibit No. | Description |
|---|---|
| 10.1 | Amended and Restated Agreement and Plan of Merger dated as of August 31, 2021, by and among Teal Drones, Inc., Red Cat Holdings, Inc., and Teal Acquisition I Corp. |
| 10.2 | Amended and Restated Loan and Security Agreement dated as of August 31, 2021, by and between Teal Drones, Inc. and Decathlon Alpha IV, L.P. |
| 10.3 | Joinder Agreement dated as of August 31, 2021, by and between Red Cat Holdings, Inc. and Decathlon Alpha IV, L.P. |
| 10.4 | Escrow Agreement dated as of August 31, 2021, by and between Red Cat Holdings, Inc. Teal Acquisition I Corp., Teal Drones, Inc., George Matus, as Shareholder Representative, and Equity Stock Transfer, LLC. |
| 10.5 | Employment Agreement dated as of September 1, 2021 with George Matus. |
| 99.1 | Press Release issued September 1, 2021. |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 7, 2021

**RED CAT HOLDINGS, INC.**

By: */s/ Jeffrey M. Thompson*
Name: Jeffrey M. Thompson
Title: President and Chief Executive Officer

# AMENDED AND RESTATED

# AGREEMENT AND PLAN OF MERGER

by and among

**RED CAT HOLDINGS, INC.**

**TEAL ACQUISITION I CORP.,**

**TEAL DRONES, INC.**

**AND**

**THE STOCKHOLDERS OF TEAL DRONES, INC.**

Dated as of August 31, 2021

## AGREEMENT AND PLAN OF MERGER

THIS AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, dated as of August 31, 2021 (this "Agreement"), is entered into by and among Red Cat Holdings, Inc., a Nevada corporation (the "Parent"), Teal Acquisition I Corp., a Delaware corporation and a wholly-owned subsidiary of Parent (the "Purchaser") and Teal Drones, Inc., a Delaware corporation (the "Company") and the undersigned shareholders of the Company (collectively, the **"**Stockholders**"**). Parent, Purchaser, Company and the Stockholders are each a **"party"** and together are **"parties"** to this Agreement. All capitalized terms used in this Agreement shall have the meanings assigned to such terms in Section 8.4 or as otherwise defined elsewhere in this Agreement, unless the context clearly indicates otherwise.

## RECITALS

**WHEREAS**, The Parties entered into a prior Agreement and Plan of Merger dated as of July 13, 2021 (the "Original Agreement"); and

**WHEREAS**, the Parties desire to amend and restate in its entirety the Original Agreement as described hereinbelow effective as of the Effective Date.

WHEREAS, the Company is party to certain contracts, approvals, rights and technology as well as certain licenses and assets, including the right to sell unmanned aerial vehicles (drones) and related services to certain agencies and instrumentalities of the United States government;

WHEREAS, Company has issued shares of its capital stock, par value $0.00001 per share (consisting of Common Stock (the "Company Common Stock"), Series Seed Exchange Preferred Stock (the "Company Series Seed Preferred Stock"), Series Seed Prime Exchange Preferred Stock (the "Company Series Seed Prime Preferred Stock"), Series A Exchange Preferred Stock (the "Company Series A Preferred Stock"), Series A-1 Exchange Preferred Stock (the "Company Series A-1 Preferred Stock") and Series A-2 Preferred Stock (the "Company Series A-2 Preferred Stock"), collectively the "Shares") and, upon closing of the transactions contemplated hereby, Parent will issue, pursuant to the terms and conditions of this Agreement, shares of Parent Common Stock, par value $0.001 per share (the "Parent Common Stock") and Parent Series C Convertible Preferred Stock, par value $0.001 per share, (the "Parent Series C Preferred", and together with the Parent Common Stock, the "Parent Shares"), of Parent, at, for Parent Shares issued at the Closing, the Agreed Parent Share Price, and, for the Earn-Out Shares, at the Earn-Out Share Price, all as set forth in this Agreement, without interest, subject to any withholding of Taxes required by applicable Law equal to a total of up to $30 million, based upon and subject to, in the case of the Earn Out Amount, meeting certain

milestones (the "Earn Out Conditions") upon achieving certain revenue goals for sale of the Company's Golden Eagle products and services (the "Earn Out Amount"), all as set forth in this Agreement.

WHEREAS, the Stockholders collectively own approximately 92% of the issued and outstanding capital stock of the Company and desire to authorize and approve this Agreement and the transactions contemplated herein and agree to vote their Shares for the transactions contemplated hereby;

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Purchaser will be merged with and into the Company (the "Merger"), with the Company continuing as the Surviving Corporation (as such term is defined below), in accordance with the applicable provisions of the Delaware General Corporation Law (the "DGCL"), whereby each issued and outstanding Share (other than Shares to be cancelled in accordance with Section 2.1(b) and Dissenting Shares) will be converted into the right to receive the Parent Shares;

WHEREAS, the board of directors of the Company (the "Company Board") has (i) determined that the transactions contemplated by this Agreement, including the Merger, are fair to and in the best interests of the Company and its stockholders, (ii) approved, adopted and declared advisable this Agreement and the transactions contemplated hereby, including the Merger and (iii) recommended that the Company's stockholders, and approve this Agreement and the Merger (the "Company Board Recommendation");

WHEREAS, the boards of directors (or applicable committee thereof) of the Parent and the Purchaser have, upon the terms and subject to the conditions set forth herein, (i) determined that the transactions contemplated by this Agreement, including the Merger, are fair to and in the best interests of Parent and the Purchaser and their respective stockholders and (ii) approved, adopted and declared advisable this Agreement and the transactions contemplated hereby, including this Agreement and the Merger;

WHEREAS, as a condition to and inducement of the Parent's and the Purchaser's willingness to enter into this Agreement, simultaneously with the execution of this Agreement, George Matus, (a "Key Employee") has accepted an offer of employment with the Parent, the Purchaser or an affiliate of Parent or the Purchaser and has executed and delivered all Contracts and other documents required by Parent and the Purchaser relating to such employment, which employment and Contracts shall become effective from and after, and shall be conditioned upon, the Closing;

WHEREAS, as a condition to and inducement of the Parent's and the Purchaser's willingness to enter into this Agreement, simultaneously with the execution of this Agreement, the Key Employee has executed and delivered to the Parent and the Purchaser Non-Competition and Non-Solicitation Agreement, dated as of the date hereof (each, a "Non-Competition Agreement"); and

WHEREAS, the Parent, Purchaser, Stockholders and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

**AGREEMENT**

NOW, THEREFORE, in consideration of the mutual covenants and premises contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties to this Agreement agree as follows:

## ARTICLE 1
## THE MERGER

1.1 The Merger.

(a) Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the applicable provisions of the DGCL, at the Effective Time, the Purchaser shall be merged with and into the Company. As a result of the Merger, the separate corporate existence of the Purchaser shall cease, and the Company shall continue as the surviving corporation of the Merger (the "Surviving Corporation"). The Merger shall have the effects set forth in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all of the property, rights, privileges, immunities, powers and franchises of the Company and the Purchaser shall vest in the Surviving Corporation, and all of the debts, liabilities and duties of the Company and the Purchaser shall become the debts, liabilities and duties of the Surviving Corporation.

(b) At the Effective Time, the certificate of incorporation of the Surviving Corporation shall, by virtue of the Merger and all other applicable action by Parent and the Surviving Corporation, be amended so as to read in its entirety in the form authorized and approved by the Parent, until thereafter changed or amended as provided therein or by applicable Law. In addition, the bylaws of the Surviving Corporation shall be amended so as to read in their entirety in the form set forth authorized and approved by the Parent, until thereafter changed or amended as provided therein, in the certificate of incorporation of the Surviving Corporation or by applicable Law.

(c) The directors of the Purchaser immediately prior to the Effective Time shall, from and after the Effective Time, become the directors of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation until their respective successors shall have been duly elected, designated or qualified, or until their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation. The officers of the Purchaser immediately prior to the Effective Time, from and after the Effective Time, shall continue as the officers of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation until their respective successors shall have been duly elected, designated or qualified, or until their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

(d) If at any time after the Effective Time, the Surviving Corporation shall determine, in its sole discretion, or shall be advised, that any deeds, bills of sale, instruments of conveyance, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of the Company or the Purchaser acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, then the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either the Company or the Purchaser, all such deeds, bills of sale, instruments of conveyance, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title or interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Agreement.

1.2 Closing and Effective Time of the Merger. The closing of the Merger (the "Closing") will take place at 10:00 a.m., New York City time, on a date to be specified by the parties (the "Closing Date"), such date to be no later than the second Business Day after satisfaction or waiver of all of the conditions set forth in Article 6 (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the fulfillment or written waiver (where permitted by applicable Law) of those conditions at the Closing), at the Law Office of Harvey Kesner, 500 Fifth Avenue, Suite 938, NY, NY 10036, unless another time, date or place is agreed to in writing by the parties hereto. On the Closing Date, or on such other date as Parent and the Company may agree to in writing, the Purchaser and the Company shall cause an appropriate certificate of merger (the "Certificate of Merger") to be executed and filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at the date and time the Certificate of Merger shall have been duly filed with the Secretary of State of the State of Delaware or such other date and time as is agreed upon by the parties and specified in the Certificate of Merger (such date and time, the "Effective Time").

## ARTICLE 2
## MERGER CONSIDERATION: CONVERSION OF SECURITIES IN THE MERGER

2.1 Fixed Consideration. (i) In consideration of the Merger and the other obligations of Company and Stockholders as set forth in this Agreement, Parent shall pay or otherwise provide to Stockholders the following consideration (the "Purchase Price" or "Merger Consideration"):

(a) Closing Consideration. On the Closing Date, Purchaser shall deliver in consideration for 100% of the issued and outstanding capital stock of the Company in accordance with Section 2.2 hereof: Fourteen Million Dollars (US$14,000,000), (the "Closing Merger Consideration") payable in shares of Parent Common Stock and Parent Series C Stock (the "Stock Consideration") *minus* (A) the amount required to be paid under a senior secured promissory note in favor of Decathlon/DA4 (the "Secured Note") to be issued at closing by Parent in the amount of up to Two Million Dollars ($2,000,000), (B) the value of the shares of Parent Common Stock to be issued to Decathlon pursuant to that certain Consent Agreement, dated as of even date with this Agreement, between Decathalon and the Company; (C) any other indebtedness of the Company (it being agreed and acknowledged that the shares of Parent Common Stock issuable to Decathlon Alpha IV, L.P., a Delaware limited partnership (" DA4") pursuant to that certain Share Issuance Agreement between the Company and DA4 shall (i) be treated as indebtedness of the Company for purposes of this Section 2.1(a); and (ii) be issued directly to DA4), and (D) any Working Capital deficit of the Company, calculated at the Closing Date VWAP (the " Agreed Parent Share Price"). The Parent Series C Preferred shall have the rights, privileges and preferences as set forth in the form of the Series C Preferred Certificate of Designation attached hereto as Exhibit 2.1(a), (the "Certificate of Designation") which Certificate of Designation Parent shall have filed with the Secretary of State of the State of Nevada prior to the Closing Date and which shall be effective prior to the Closing, and shall be substantially equivalent to Common Stock in all respects other than the limitations on voting and conversion required in order to conform with, and shall automatically convert into Common Stock of Parent upon the approval of NASDAQ (the "NASDAQ Approval"), to the issuance of in excess of 19.99% of the outstanding Parent Common Stock in accordance with NASDAQ Rule 5635(d).

(b) Earn-Out Consideration. (i) Following the Closing Date, the Parent shall deliver in consideration for 100% of the issued and outstanding capital stock of the Company in accordance with Section 2.1(b)(iii) hereof, additional shares of Parent Common Stock (the "Earn-Out Shares") as follows, calculated for Golden Eagle sales and service income (i.e., net revenues calculated in accordance with GAAP) received by the Company during the twenty-four month period beginning on the first day after the Closing Date (the "Earn-Out Period") with a gross margin of at least 30% ("Qualified Sales"), as follows:

- A total of $16,000,000 in Earn Out Shares if aggregate Qualified Sales during the Earn-Out Period shall have equaled or exceed $36 million; or
- A total of $10,000,000 in Earn Out Shares if Qualified Sales during the Earn-Out Period shall have equaled at least $24 million but less than $36 million; or
- A total of $ 4,000,000 in Earn Out Stares if Qualified Sales during the Earn-Out Period shall have equaled at least $18 million but less than $24 million.

(ii) the Parent shall calculate the Qualified Sales for the Earn-Out Period and deliver such amount to the Stockholders within thirty (30) days of the end of the Earn-Out Period (the "Earn-Out Determination Date"). Unless a majority in interest of the Stockholders notify the Parent in writing (the "Qualified Sales Dispute Notice") within ten (10) business days after receipt of the Qualified Sales amount that the Stockholders disagree with the Qualified Sales Amount, the Qualified Sales amount delivered to the Stockholders shall be conclusive and binding. The Qualified Sales Dispute Notice shall include reasonable details of the disagreement and the reasons therefor. In the event Stockholders provide the Parent with any Qualified Sales Dispute Notice, the Parent shall not be required to pay or issue any Earn-Out Shares pending resolution of such dispute. The Parent and the Stockholders shall attempt to resolve their differences with respect to the Qualified Sales within ten (10) business days after the Parent's receipt of the Qualified Sales Dispute Notice. Any disputes regarding the

Qualified Sales not resolved by the Parent and the Stockholders within such 10-day period will be resolved by a national accounting firm (the "Arbitrator Accounting Firm"). The Arbitrator Accounting Firm's determination of the Qualified Sales amount shall be conclusive and binding upon the parties. The fees and expenses of the Arbitrator Accounting Firm in acting under this Section shall be borne by the party that the Arbitrator Accounting Firm determines to be least correct (in net dollar terms) in its determination of the Qualified Sales.

(iii) the Parent shall issue the Earn Out Shares within 30 days following either the Earn-Out Determination Date or the date of resolution of any dispute regarding Qualified Sales pursuant to Section 2.1(b)(ii) above, at the VWAP on the last day of the Earn-Out Period (the "Earn-Out Share Price") that Qualified Sales equal or exceed the amounts set forth herein. Qualified Sales shall be determined on an aggregate basis achieved during the Earn-Out Period. For the absence of doubt only one payment shall be made for each level of Qualified Sales, for example, in the event the Qualified Sales are $20,000,000 within 9 months and $30,000,000 million at the end of the Earn-Out Period, a total payment of $10,000,000 in Shares shall be due to be paid in total. . Payment of the Earn-Out Shares shall be made to the Stockholders as set forth on Schedule 2.1(b).

(c) Working Capital Adjustment. The Company shall prepare and deliver to the Parent on the Closing Date a statement setting forth its calculation of estimated Closing Working Capital,) (the "Closing Statement") and only items set forth in the Closing Statement shall be used to calculate the Closing Working Capital. Within sixty (60) days after the Closing Date, Parent shall prepare and deliver to Stockholders an updated Closing Statement setting forth its actual calculation of the Closing Working Capital as of the Closing Date (the "Final Closing Statement"). If the Working Capital of the Company as of the Closing Date is a positive number, the Purchase Price shall not be increased. If the Working Capital of the Company as of the Closing Date is a negative number, the Purchase Price shall be decreased dollar for dollar by the amount of the Working Capital Adjustment and shall be payable by Stockholders through a decrease in the Escrow Shares which shall be valued at the Agreed Parent Share Price. As used herein: "Closing Working Capital" means (a) Current Assets, less (b) Current Liabilities, determined as of the close of business on the Closing Date; "Current Assets" means the current assets of the Company on the Closing Date and "Current Liabilities" means the current liabilities of the Company, in each case in accordance with GAAP. Unless a majority in interest of the Stockholders notify Parent in writing (the "Dispute Notice") within ten (10) business days after receipt of the Final Closing Statement that Stockholders disagree with the Closing Working Capital set forth in the Final Closing Statement, the Closing Working Capital shall be conclusive and binding on Company, Stockholders, Purchaser and Parent. The Dispute Notice shall include reasonable details of the disagreement and the reasons therefor. In the event Stockholders provide Parent with any Dispute Notice, Stockholders shall not be required to pay the Parent with respect to the Working Capital Adjustment pending resolution of such dispute. Parent and Stockholders shall attempt to resolve their differences with respect to the Closing Working Capital within ten (10) business days after Parent's receipt of the Dispute Notice. Any disputes regarding the Closing Working Capital not resolved by Parent and Stockholders within such 10-day period will be resolved by a national accounting firm (the "Working Capital Arbitrator Accounting Firm"). The Working Capital Arbitrator Accounting Firm's determination of the Closing Working Capital shall be conclusive and binding upon the parties. The fees and expenses of the Working Capital Arbitrator Accounting Firm in acting under this Section shall be borne by the party that the Arbitrator Accounting Firm determines to be least correct (in net dollar terms) in its determination of the Closing Working Capital.

(d) NASDAQ Approval. Notwithstanding anything herein to the contrary, in no event shall the Purchase Price and Earn-Out Shares issuable pursuant to this Section 2.2 exceed 19.99% of the issued and outstanding Common Stock of the Company, as calculated on the Closing Date and the Earn-Out Date, prior to approval.

(e) Escrow Shares. On the Closing Date, Purchaser shall deliver to the Escrow Agent Fifteen (15%) percent of the Merger Consideration (the "Escrow Shares") to be held in escrow in accordance with the Escrow Agreement. For purposes of This subsection 2.1(e) (i) the Decathlon Shares shall be considered to be Merger Consideration for this purpose of calculating the number of shares of Parent Common Stock and Parent Series C Stock constituting the Merger Consideration; and (ii) no Decathlon Shares shall be deposited of held in escrow as Escrow Shares, such Escrow Shares to be deposited and held as set forth in that certain Proportionate Share Agreement (as defined below) and the Escrow Agreement delivered by the Stockholders to Purchaser at Closing.

2.2 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of the Purchaser, the Company or the holders of any of the following securities:

(a) Conversion of Company Common Stock. (i) Conversion of Company Common Stock. Each holder of Shares of Company Common Stock issued and outstanding immediately prior to the Effective Time, other than Shares of Company Common Stock to be cancelled in accordance with Section 2.2(b) and Dissenting Shares, shall be converted into the right to receive the Closing Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Common Stock in accordance with Section 2.3 (provisions with respect to Restricted Shares are also addressed in Section 2.5(b)).

(ii) Conversion of Company Series Seed Preferred Stock. Each holder of Shares of Company Series Seed Preferred Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares, shall be converted into the right to receive the Closing Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Series Seed Preferred Stock in accordance with Section 2.3.

(iii) Conversion of Company Series Seed Prime Preferred Stock. Each holder of Shares of Company Series Seed Prime Preferred Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares, shall be converted into the right to receive the Closing Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Series Seed Prime Preferred Stock in accordance with Section 2.3.

(iv) Conversion of Company Series A Preferred Stock. Each holder of Shares of Company Series A Preferred Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares, shall be converted into the right to receive the Closing Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Series A Preferred Stock in accordance with Section 2.3.

(v) Conversion of Company Series A-1 Preferred Stock. Each holder of Shares of Company Series A-1 Preferred Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares, shall be converted into the right to receive the Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Series A-1 Preferred Stock in accordance with Section 2.3.

(vi) Conversion of Company Series A-2 Preferred Stock. Each holder of Shares of Company Series A-2 Preferred Stock issued and outstanding immediately prior to the Effective Time, other than Dissenting Shares, shall be converted into the right to receive the Closing Merger Consideration set forth opposite such holder's name on Schedule 2.2 attached hereto, payable to the holder, without interest, subject to any withholding of Taxes required by applicable Law, upon surrender of the certificate formerly representing such Shares of Company Series A-2 Preferred Stock in accordance with Section 2.3.

(vii) Cancellation of Treasury Stock and Parent-Owned Stock. All Shares that are held in the treasury of the Company, and all Shares owned of record by Parent or any of its direct or indirect wholly-owned Subsidiaries, including the Purchaser, shall be cancelled and shall cease to exist, with no payment being made with respect thereto.

(viii) Purchaser Common Stock. Each share of common stock, par value $0.001 per share, of the Purchaser (the "Purchaser Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into and become one newly and validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

2.3 Payment for Securities; Surrender of Certificates.

(a) Procedures for Surrender. As promptly as practicable after the Effective Time, the Parent shall cause its transfer agent (the "Transfer Agent") to mail to each holder of record of a certificate or certificates that represented Shares (the "Certificates") or non-certificated Shares represented by book-entry ("Book-Entry Shares"), in each case, which Shares were converted into the right to receive the Merger Consideration at the Effective Time pursuant to this Agreement: (i) a letter of transmittal, which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Transfer Agent, and shall otherwise be in such form and have such other provisions as the Purchaser or the Transfer Agent may reasonably specify and (ii) instructions for effecting the surrender of the Certificates or Book-Entry Shares in exchange for payment of the Merger Consideration. Upon surrender of Certificates and Book-Entry Shares for cancellation to the Transfer Agent, and upon delivery of a letter of transmittal, duly executed and in proper form, with respect to such Certificates or Book-Entry Shares, the holder of such Certificates or Book-Entry Shares shall be entitled to receive the Merger Consideration for each Share formerly represented by such Certificates and for each Book-Entry Share. Any Certificates and Book-Entry Shares so surrendered shall forthwith be cancelled. If issuance of the Merger Consideration is to be made to a Person other than the Person in whose name any surrendered Certificate is registered, it shall be a condition precedent of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer, and the Person requesting such payment shall have paid any transfer and other similar Taxes required by reason of the issuance of the Merger Consideration to a Person other than the registered holder of the Certificate so surrendered and shall have established to the satisfaction of the Surviving Corporation that such Taxes either have been paid or are not required to be paid. Issuance of the Merger Consideration with respect to Book-Entry Shares shall only be made to the Person in whose name such Book-Entry Shares are registered. Until surrendered as contemplated hereby, each Certificate or Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration as contemplated by this Agreement, without interest thereon.

(b) Transfer Books; No Further Ownership Rights in Shares. At the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of Shares on the records of the Company. From and after the Effective Time, the holders of Certificates and Book-Entry Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares except as otherwise provided for herein or by applicable Law. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Agreement.

(c) Withholding Rights. Parent, the Purchaser, the Surviving Corporation and the Transfer Agent shall be entitled to deduct and withhold from the Merger Consideration otherwise issuable pursuant to this Agreement such amounts that Parent, the Purchaser, the Surviving Corporation or the Transfer Agent is required to deduct and withhold with respect to the making of such payment under the Code or any other provision of applicable Law. To the extent that amounts are so withheld, such amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

(d) Lost, Stolen or Destroyed Certificates. In the event that any Certificates shall have been lost, stolen or destroyed, the Transfer Agent shall issue in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof, the Merger Consideration payable in respect thereof pursuant to Section 2.1(a) hereof; provided, however, that the Purchaser may, in its sole discretion and as a condition precedent to the payment of such Merger Consideration, require the owners of such lost, stolen or destroyed Certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Parent, the Purchaser, the Surviving Corporation or the Transfer Agent with respect to the Certificates alleged to have been lost, stolen or destroyed.

(e) Transfer Taxes. If payment of the Merger Consideration is to be made to any Person other than the registered owner of the applicable Shares the amount of any Transfer Taxes (whether imposed on the registered owner or such other Person) payable on account of the transfer will be deducted from the amount of Merger Consideration to be issued to such Person, unless satisfactory evidence of the payment of such Transfer Taxes or exemption therefrom is submitted to the Purchaser.

2.4 Dissenting Shares. Notwithstanding anything to the contrary set forth in this Agreement, no Shares issued and outstanding immediately prior to the Effective Time and in respect of which appraisal rights shall have been perfected in accordance with Section 262 of the DGCL in connection with the Merger (collectively, "Dissenting Shares") shall be converted into a right to receive that portion of the Merger Consideration otherwise payable to the holder of such Dissenting Shares as provided in Section 2.2, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to the DGCL. Each holder of Dissenting Shares who, pursuant to the provisions of the DGCL, becomes entitled to payment of the fair value of such shares shall receive payment therefor in accordance with the DGCL (but only after the value therefor shall have been agreed upon or finally determined pursuant to the DGCL). In the event that any holder of Shares fails to make an effective demand for payment or fails to perfect its appraisal rights as to its Shares or any Dissenting Shares shall otherwise lose their status as Dissenting Shares, then any such shares shall be converted into the right to receive the Merger Consideration issuable pursuant to Section 2.2 in respect of such Shares as if such Shares had never been Dissenting Shares, in accordance with and following the satisfaction of the applicable requirements and conditions set forth in Section 2.3. The Company shall give Parent prompt notice (and in no event more than two Business Days) of (i) any demand received by the Company for appraisal of Shares (and shall give Parent the opportunity to participate in all negotiations and proceedings with respect to any such demand) or (ii) any notice of exercise by any holder of Shares of appraisal rights in accordance with the DGCL. The Company agrees that, except with Parent's prior written consent, it shall not voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any such demand for appraisal or exercise of appraisal rights.

2.5 Treatment of Options; Restricted Stock; Warrants.

(a) Treatment of Options.

(i) Immediately prior to the Effective Time, each outstanding and unexercised option to purchase Shares (each, a "Company Option") that is vested, was granted under any stock option plan (including, without limitation, the Company's 2015 Equity Incentive Plan (the "2015 Plan")) of the Company or any other equity plan or other Contract (collectively, the "Company Stock Option Plans"), shall be cancelled.

(ii) The parties hereby acknowledge that the 2015 Equity Company's 2015 Plan shall automatically terminate and be of no further force or effect with respect to any awards thereunder or the right to receive any shares or awards of Company stock immediately prior to the Effective Time. No vested awards shall be continued following the Effective Time and any unvested awards shall not be subject to any vesting and shall be cancelled.

(iii) The Company shall, prior to the Effective Time, take (or cause to be taken) any and all action, and shall obtain all such consents, as may be necessary to effect the foregoing provisions of this Section 2.4(a).

(b) Treatment of Restricted Stock and Restricted Stock Units.

(i) Each Share that, as of immediately prior to the Effective Time, is subject to a risk of forfeiture, a right of repurchase in favor of the Company, or to restrictions on transfers under the applicable award agreement or Benefit Plan, that is outstanding immediately prior to the Effective Time under any Contract, instrument or plan set forth in Section 3.2(b) of the Company Disclosure Schedule (each, a "Restricted Share") shall be converted into the right to receive the Merger Consideration, without interest, as provided in Section 2.1(a), such Merger Consideration to be paid to the holder of such Restricted Share in accordance with the vesting schedule applicable to such Restricted Share, in each case subject to all applicable withholding or other Taxes required by applicable Law. The Company shall obtain, prior to the Closing, the consent from each holder of a Restricted Share to the amendment of the terms governing such Restricted Share to permit the treatment set forth in this Section 2.4(b)(i) (unless such consent is not required under the terms of the applicable Contract, instrument or plan).

(ii) At the Effective Time, each award of restricted stock units with respect to Company Common Stock ("Company RSUs") shall automatically terminate and be of no further force or effect with respect to any awards thereunder or the right to receive any shares or awards of Company stock immediately prior to the Effective Time. No vested awards shall be continued following the Effective Time and any unvested awards shall not be subject to any vesting and shall be cancelled.

(iii) The Company shall, prior to the Effective Time, take (or cause to be taken) any and all action, and shall obtain all such consents, as may be necessary to effect the foregoing provisions of this Section 2.4(b).

(c) Treatment of Company Warrants.

(i) At the Effective Time, each Company Warrant that has not otherwise been exercised or expired shall be terminated immediately upon the Effective Time. Neither the Surviving Corporation nor Parent shall assume any Company Warrant that is outstanding immediately prior to the Effective Time, whether or not then exercisable. Following the Effective Time, no Company Warrant shall remain outstanding and, except as set forth in the preceding sentence, no holder of a Company Warrant shall have the right to receive any consideration from the Company, Parent or the Surviving Corporation upon the exercise or conversion of such Company Warrant or otherwise in respect thereof.

(ii) The Company shall, prior to the Effective Time, take (or cause to be taken) any and all action, and shall obtain all such consents, as may be necessary to cause the holders of all Company Warrants that have not otherwise been exercised or expired prior to the Effective Time to agree to the treatment set forth in this Section 2.4(c) (including, without limitation, providing any notices required under the Contracts relating to such Company Warrants regarding the transaction contemplated by this Agreement).

## ARTICLE 3
## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the disclosure schedule delivered by the Company to the Parent and the Purchaser prior to the execution of this Agreement (the "Company Disclosure Schedule"), which identifies items of disclosure by reference to a particular Section or Subsection of this Agreement (provided, however, that any disclosure contained in any section of the Company Disclosure Schedule relating to one section of this Agreement shall be deemed to be disclosed with respect to any other section of this Agreement to the extent the relevance of such disclosure to any such representation and warranty is reasonably apparent from the descriptions contained in the Company Disclosure Schedule to the reader without the need to review or consult additional documents), the Company hereby represents and warrants to the Parent and the Purchaser as follows:

3.1 Organization and Qualification; No Subsidiaries.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and assets and to conduct its business as currently conducted. The Company is duly qualified to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where any failure to be so qualified or in good standing, individually or in the aggregate, has not had a Company Material Adverse Effect.

(b) The Company has delivered or caused to be delivered or made available to the Parent and the Purchaser accurate and complete copies of the currently effective certificate of incorporation of the Company (the "Company Charter") and bylaws of the Company (the "Company Bylaws"). The Company is not in violation of the Company Charter or the Company Bylaws.

(c) The Company does not own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity.

(d) The Company neither owns nor has any relationship to nor has any Company Contract been entered into with any third party and Teal Drones, Inc., a Utah corporation,

3.2 Capitalization.

(a) The authorized capital stock of the Company consists of (i) 79,000,000 shares of common stock, par value $0.00001 per share (the "Company Common Stock"), of which, as of the date of this Agreement and at the Effective Time, there are 12,380,203 shares issued and outstanding (and no shares of Company Common Stock held in treasury), including no Restricted Shares and (ii) 81,520,284 shares of preferred stock, par value $0.00001 per share (the "Company Preferred Stock"), 7,600,000 of which are designated as Series Seed Preferred Stock, par value $0.00001 per share, none of which shares are issued and outstanding or reserved for future issuance under Contract, 7,600,000 of which are designated as the Series Seed Exchange Preferred Stock, $0.00001 par value per share, 6,350,000 of which shares are issued and outstanding and none of which shares are reserved for future issuance under Contract, 5,454,545 of which are designated as the Series Seed Prime Preferred Stock, $0.0001 par value per share, none of which shares are issued and outstanding or reserved for future issuance under Contract, 5,454,545 of which are designated as the Series Seed Prime Exchange Preferred Stock, $0.0001 par value per share, 5,000,000 of which shares are issued and outstanding and [none] of which shares are reserved for future issuance under Contract, 19,295,998 of which are designated as the Series A Preferred Stock, $0.0001 par value per share, none of which shares are issued and outstanding or reserved for future issuance under Contract, 19,295,998 of which are designated as the Series A Exchange Preferred Stock, $0.0001 par value per share, 16,782,000 of which shares are issued and outstanding and none of which shares are reserved for future issuance under Contract, 7,981,165 of which are designated as the Series A-1 Preferred Stock, $0.0001 par value per share, none of which shares are issued and outstanding or reserved for future issuance under Contract, 7,981,165 of which are designated as the Series A-1 Exchange Preferred Stock, $0.0001 par value per share, 5,040,990 of which shares are issued and outstanding and none of which shares are reserved for future issuance under Contract, and 5,337,344 of which are designated as the Series A-2 Preferred Stock, $0.0001 par value per share, 5,337,344 of which shares are issued and outstanding and none of which shares are reserved for future issuance under Contract. All of the outstanding shares of Company Shares have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights.

(b) As of the date of this Agreement, the Company had no shares of Company Common Stock or Company Preferred Stock reserved for or otherwise subject to issuance, except for 4,286,358 shares of Company Common Stock reserved for issuance pursuant to the exercise of outstanding Company Options under the Company Stock Options Plans and 17,620,451 shares of Company Preferred Stock reserved for issuance pursuant to the exercise of outstanding Company Warrants all of which Options and Warrants will be cancelled at the Effective Time as provided in Section 2.4 hereof.

(c) Except for the Company Options and the Company Warrants set forth in Section 3.2(b), as of the date of this Agreement, there were no options, warrants or other rights, agreements, arrangements or commitments of any character (i) relating, convertible into or exchangeable for capital stock of any other Equity Interests of the Company or (ii) obligating the Company to issue, acquire or sell any Equity Interests of the Company. Since the close of business on December 31, 2020, the Company has not issued any shares of its capital stock or other Equity Interests or securities convertible into or exchangeable for capital stock or other Equity Interest of the Company.

(d) There are no outstanding obligations of the Company (i) restricting the transfer of, (ii) affecting the voting rights of,

(iii) requiring the repurchase, redemption or disposition of, or containing any right of first refusal with respect to, (iv) requiring the registration for sale of or (v) granting any preemptive or antidilutive rights with respect to, any Company Shares or other Equity Interests in the Company.

3.3 Authority.

(a) The Company has all necessary corporate power and corporate authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the Merger. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including the Merger, have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of the Company and no stockholder votes or consents are necessary to authorize this Agreement or to consummate the transactions contemplated hereby other than, (i) the Company Stockholder Approval and (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL. The Company Board, by resolutions duly adopted by vote of those voting on such matters at a meeting duly called and held, has, and as of the date of this Agreement not subsequently rescinded or modified in any way, (x) determined that the transactions contemplated by this Agreement, including the Merger, are fair to, and in the best interests of, the Company and its stockholders, (y) approved and declared advisable this Agreement and the transactions contemplated hereby, including the Merger and (z) resolved to recommend that the Company's stockholders approve the Merger and adopt this Agreement. This Agreement has been duly authorized and validly executed and delivered by the Company and, assuming due authorization, execution and delivery by the Parent and the Purchaser, constitutes a legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity, whether considered in a proceeding in equity or at law).

(b) The Company is not a party to any stockholder rights plan or "poison pill" agreement.

3.4 No Conflict. None of the execution, delivery or performance of this Agreement by the Company, the acceptance for payment or acquisition of the Shares, the consummation by the Company of the Merger or any other transaction contemplated by this Agreement, or the Company's compliance with any of the provisions of this Agreement will (with or without notice or lapse of time, or both): (a) subject to obtaining the Company Stockholder Approval conflict with or violate any provision of the Company Charter or Company Bylaws, (b) assuming that all consents, approvals, authorizations and permits described in Section 3.5 have been obtained and all filings and notifications described in Section 3.5 have been made and any waiting periods thereunder have terminated or expired, conflict with or violate any Law applicable to the Company or any of its properties or assets or (c) require any consent or approval under, violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a change of control or default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the properties or assets of the Company pursuant to, any Contract, Company Permit or other instrument or obligation to which the Company is a party or by which it or any of its properties or assets may be bound or affected, except, with respect to clauses (b) and (c), for any such conflicts, violations, consents, breaches, losses, changes of control, defaults, other occurrences or Liens which, individually or in the aggregate, have not had a Company Material Adverse Effect.

3.5 Required Filings and Consents. Assuming the accuracy of the representations and warranties of the Parent and the Purchaser in Section 4.4, none of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the Merger or any other transaction contemplated by this Agreement, or the Company's compliance with any of the provisions of this Agreement will require (with or without notice or lapse of time, or both) any consent, approval, authorization or permit of, or filing or registration with or notification to, any Governmental Entity or any other Person, other than (a) the filing of the Certificate of Merger as required by the DGCL, (b) the receipt of the Company Stockholder Approval, and (c) where the failure to obtain such consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to any Governmental Entity or any other Person, individually or in the aggregate, has not had a Company Material Adverse Effect.

3.6 Permits; Compliance With Law.

(a) The Company holds all licenses, permits, certificates, variances, exemptions, approvals and registrations of any Governmental Entity required by applicable Law or Order for the Company to own, lease and operate its properties and assets, and to conduct its business as currently conducted (the "Company Permits"), except where the failure to have any Company Permits, individually or in the aggregate, has not had a Company Material Adverse Effect. Section 3.6(a) of the Company Disclosure Schedule contains an accurate and complete list of the Company Permits. The Company is and since January 1, 2019 has been in compliance with the terms of the Company Permits, and all of the Company Permits are valid and in full force and effect, except where the failure to be in compliance with any Company Permits, or the failure of any Company Permits to be valid or in full force and effect, individually or in the aggregate, has not had a Company Material Adverse Effect. No suspension, modification, revocation or cancellation of any of the Company Permits is pending or, to the knowledge of the Company, threatened, except for any such actions that, individually or in the aggregate, have not had a Company Material Adverse Effect.

(b) The Company is not and has not been since January 1, 2019 in conflict with, default under or violation of, or is not being, or since January 1, 2019 has not been, investigated for, or charged by any Governmental Entity with a violation of, any Law applicable to the Company or by which any property or asset of the Company is bound or affected, except for any conflicts, defaults, violations, investigations or charges that, individually or in the aggregate, have not had a Company Material Adverse Effect. No investigation or review by any Governmental Entity with respect to the Company is pending or, to the knowledge of the Company, threatened, except for such investigations or reviews, the outcomes of which if determined adversely to the Company, individually or in the aggregate, have not had a Company Material Adverse Effect.

3.7 Financial Information.

(a) All of the unaudited financial statements of the Company delivered to the Parent, being the balance sheets for the years ended December 31, 2018, 2019 and 2020 and the related statements of income and cash flows for the years then ended and the balance sheet dated May 31, 2021 and the related statements of income and cash flows for the five month period then ended (A) have been prepared from, are in accordance with, and accurately reflect the books and records of the Company in all material respects, (B) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal and recurring year-end adjustments that are not material in amount or nature and as may be permitted) and (C) fairly present in all material respects the financial position and the results of operations and cash flows of the Company as of the dates and for the periods referred to therein.

3.8 Books and Records. The books and records of the Company reflect only actual transactions. The minute books of the Company, all of which have been made available by the Company to the Parent, contain materially complete and correct records of all meetings and other corporate actions held or taken by its stockholders and board of directors, including the applicable committees of its board of directors.

3.9 No Undisclosed Liabilities. Except for those liabilities and obligations (a) specifically reserved against or provided for in the unaudited balance sheet of the Company as of May 31, 2021 or in the notes thereto, (b) incurred in the ordinary course of business consistent with past practice since June 1, 2021, which, individually or in the aggregate, have not had a Company Material Adverse Effect or (c) incurred under this Agreement or in connection with the transactions contemplated hereby, including the Merger, the Company has not incurred any liabilities or obligations of any nature, whether or not accrued, absolute, determined, determinable, fixed or contingent that would be required to be recorded or reflected on a balance sheet or the notes thereto under GAAP.

3.10 Absence of Certain Changes or Events.

(a) Since May 31, 2021, there has not been any Company Material Adverse Effect.

(b) There has not been any action taken by the Company from May 31, 2021 through the date of this Agreement that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a breach of Section 5.1.

3.11 Employee Benefit Plans .

(a) Section 3.12(a) of the Company Disclosure Schedule sets forth a complete and accurate list of each Benefit Plan and each Benefit Agreement. With respect to each Benefit Plan and Benefit Agreement, the Company has provided to the Purchaser complete and accurate copies of (A) each such Benefit Plan or Benefit Agreement, including any amendments thereto, and descriptions of all material terms of any such plan that is not in writing, (B) each trust, insurance, annuity or other funding Contract related thereto, (C) all summaries and summary plan descriptions, including any summary of material modifications, and any other notice or description provided to employees, (D) the three most recent financial statements and actuarial or other valuation reports prepared with respect thereto, (E) the most recently received IRS determination letter, if any, issued by the IRS with respect to any Benefit Plan and/or Benefit Agreement that is intended to qualify under Section 401(a) of the Code, (F) the three most recent annual reports on Form 5500 (and all schedules thereto) required to be filed with the IRS with respect thereto and (G) all other filings and material correspondence with any Governmental Entity (including any correspondence regarding actual or, to the Company's knowledge, threatened audits or investigations) with respect to each Benefit Plan and Benefit Agreement.

(b) Each Benefit Plan and Benefit Agreement (and any related trust or other funding vehicle) has been maintained and administered in all material respects in accordance with its terms and is in compliance in all material respects with ERISA, the Code and all other applicable Laws. The Company has performed all material obligations required to be performed by it under all Benefit Plans and Benefit Agreements.

(c) No Benefit Plan is, or any Commonly Controlled Entity sponsors, maintains, contributes to, or has ever sponsored, maintained, contributed to, or has any actual or contingent liability with respect to any (i) single employer plan or other pension plan that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code, (ii) "multiple employer plan" within the meaning of Section 413(c) of the Code, (iii) defined benefit superannuation fund or is otherwise a defined benefit plan (including, without limitation, any "multiemployer plan" within the meaning of Section 3(37) of ERISA) or (iv) multiple employer welfare arrangement (within the meaning of Section 3(4) of ERISA). No Benefit Plan or Benefit Agreement provides health, medical, life insurance or other welfare benefits to any individual after retirement or other termination of employment other than as required under Section 4890B of the Code, and no circumstances exist that could result in the Company becoming obligated to provide any such benefits.

(d) Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code has timely received a favorable determination letter or is entitled to rely on a favorable opinion letter from the IRS, in either case, that has not been revoked and, to the knowledge of the Company, no event or circumstance exists that has adversely affected or would reasonably be expected to adversely affect such qualification or exemption. Each trust established in connection with any Benefit Plan which is intended to be exempt from federal income taxation under Section 501(a) of the Code is so exempt, and no fact or event has occurred that could reasonably be expected to adversely affect the exempt status of any such trust. There has not been any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Benefit Plan.

(e) None of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the Merger or any other transaction contemplated by this Agreement, or the Company's compliance with any of the provisions of this Agreement will (either alone or in conjunction with any other event, including any termination of employment on or following the Effective Time) (i) entitle any Participant to any compensation or benefit, (ii) entitle any employee of the Company to resign or treat his or her employment as terminated, (iii) accelerate the time of payment or vesting, increase the amount of payment, or trigger any payment or funding,

of any compensation or benefit or trigger any other material obligation under any Benefit Plan or Benefit Agreement or (iv) result in any breach or violation of or default under or limit the Company's right to amend, modify or terminate any Benefit Plan or Benefit Agreement.

(f) Except as set forth in Section 3.12(f) of the Company Disclosure Schedule, none of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the Merger or any other transaction contemplated by this Agreement, nor the Company's compliance with any of the provisions of this Agreement (alone or in conjunction with any other event, including any termination of employment on or following the Effective Time), will result in any "parachute payment" under Section 280G of the Code.

(g) No Participant is entitled to receive any gross-up, reimbursement or additional payment by reason of any Tax imposed under Section 409A or Section 4999 of the Code.

(h) Each Benefit Plan, Benefit Agreement and other plan or Contract maintained, established or entered into by the Company that constitutes a nonqualified deferred compensation plan (within the meaning of Section 409A of the Code) has been (i) operated in good faith compliance with Section 409A of the Code or an available exemption therefrom from January 1, 2005 through December 31, 2008 (to the extent in existence during such period) and (ii) maintained and operated, since January 1, 2010 (to the extent in existence since such date), in documentary and operational compliance with Section 409A or the Code or an available exemption therefrom. No compensation has been or would reasonably be expected to be includable in the gross income of any "service provider" (within the meaning of Section 409A of the Code) of the Company as a result of the operation of Section 409A of the Code.

(i) The Company has not ever maintained, sponsored, participated in or contributed to, any Benefit Plan or Benefit Agreement subject to the Laws of any jurisdiction outside of the United States, and no Benefit Plan or Benefit Agreement provides compensation or benefits to any Participant subject to the Laws of any jurisdiction outside of the United States.

(j) The Company is not a party to any Contract or plan that has resulted or could result, separately or in the aggregate, in the payment of any amount that will not be fully deductible as a result of Section 162(m) of the Code (or any corresponding provision of any other applicable Tax Laws).

3.12 Labor and Other Employment Matters.

(a) The Company is in compliance in all material respects with all applicable Laws respecting labor, employment, classification of employees, immigration, fair employment practices, terms and conditions of employment, workers' compensation, occupational health and safety, plant closings, compensation and benefits and wages and hours. Section 3.12(a) of the Company Disclosure Schedule sets forth the names and current annual salary rates or current hourly wages, bonus opportunity, hire date, credited service, accrued vacation or paid-time-off, principal work location and leave status of all present employees of the Company and each such employee's status as being exempt or nonexempt from the application of state and federal wage and hour Laws applicable to employees who do not occupy a managerial, administrative, or professional position.

(b) The Company has paid in full all liabilities then due and payable in respect of all of its employees, including premium contributions, remittance and assessments for unemployment insurance, employer health tax, income tax, workers' compensation and any liabilities under any other employment-related legislation, accrued wages, taxes, salaries, commissions, bonuses, benefits, compensation and employee benefit plan payments.

(c) The Company is not and has not been a party to any collective bargaining, employee association or works council or similar Contract, and there are not, to the knowledge of the Company, any union, employee association or works council organizing activities concerning any employees of the Company. There are no unfair labor practice charges pending before the National Labor Relations Board or any other Governmental Entity, or any Actions which are pending or, to the knowledge of the Company, threatened by or on behalf of any employees of the Company. The Company has not recognized (or done any act which might be construed as recognition of) any trade union, whether voluntarily or in terms of any statutory procedure as set out in any applicable Law. Since January 1, 2018, there have been no labor strikes, slowdowns, work stoppages, picketing, negotiated industrial actions or lockouts pending or, to the knowledge of the Company, threatened, against the Company.

(d) In the three years prior to the date of this Agreement, the Company has not effectuated (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act (the "WARN Act") or any similar Law) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Company or (ii) a "mass layoff" (as defined in the WARN Act, or any similar Law) affecting any site of employment or facility of the Company.

(e) Section 3.12e) of the Company Disclosure Schedule contains a list of all natural persons that are independent contractors, consultants, agents or agency employees currently engaged by the Company, along with the position, date of retention and rate of remuneration for each such individual. Except as set forth in Section 3.12(e) of the Company Disclosure Schedule, the Company does not engage or retain any independent contractors, consultants, agents or agency employees (that are natural persons).

(f) The employees of the Company have been, and currently are, properly classified under the Fair Labor Standards Act of 1938, as amended, and under any similar Law of any state or other jurisdiction applicable to such employees. Any Persons now or heretofore engaged by the Company as consultants or contract laborers or independent contractors, rather than employees, have been properly classified as such, are not entitled to any compensation or benefits to which regular, full-time employees are or were at the relevant time entitled, were and have been engaged in accordance with all applicable Laws, and have been treated accordingly and appropriately for all Tax purposes.

3.13 Contracts; Indebtedness.

(a) Section 3.13(a) of the Company Disclosure Schedule sets forth an accurate and complete list of each Contract to which the Company is a party or which binds or affects their respective properties or assets, and which falls within any of the following categories:

(i) any Contract that limits, or that after the Effective Time would limit, the freedom of the Company or the Parent after the Effective Time to compete in any line of business or sell, supply or distribute any product or service, in each case, in any geographic area, or to hire any individual or group of individuals;

(ii) any Contract that relates to a partnership, joint venture or relationship for joint marketing or joint development with any other Person;

(iii) any Contract that involves future expenditures or receipts by the Company of more than $20,000 in any one year period (provided that, with respect to the Company's customer Contracts entered into in the ordinary course consistent with past practice, this Section 3.13(a) shall only apply to Contracts with Significant Customers);

(iv) any Contract that by its terms limits the payment of dividends or other distributions by the Company;

(v) any Contract that grants any right of first refusal or right of first offer or similar right with respect to any material assets of the Company;

(vi) any acquisition Contract with a purchase price in excess of $20,000 or that contains "earn-out" provisions or other contingent payment obligations;

(vii) any sale or divestiture Contract with a purchase price in excess of $20,000 or that contains ongoing indemnification obligations or other material obligations;

(viii) any Contract which is likely to involve consideration of more than $20,000, in the aggregate, paid to or received by, the Company over the remaining term of such Contract (provided that, with respect to the Company's customer Contracts entered into in the ordinary course consistent with past practice and on the form set forth in Section 3.14(e)(i) of the Company Disclosure Schedule, this Section 3.13(a) shall only apply to Contracts with Significant Customers);

(ix) each Contract with a Governmental Entity that involved aggregate payments of over $10,000 in 2020 or is reasonably likely to involve aggregate payments of over $10,000 in 2021;

(x) any Contract that contains obligations of the Company secured by a Lien (other than a Permitted Lien), or provides for interest rate or currency hedging arrangements, in each case in connection with which the aggregate actual or contingent obligations of the Company under such Contract are greater than $20,000;

(xi) any Contract for the employment or engagement of any officer, employee, consultant or other individual, including any Benefit Agreement, providing for aggregate annual payments by the Company in excess of $50,000;

(xii) any Contract or plan, including any stock option or equity plan, that may or will increase, or accelerate the vesting of, the benefits to any party by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits which will be calculated on the basis of any of the transactions contemplated by this Agreement;

(xiii) any collective bargaining agreement or other Contract with any labor union or severance or termination pay agreements, programs or policies;

(xiv) any Contract relating to indebtedness for borrowed money or any financial guaranty in excess of $20,000 individually;

(xv) any lease, sublease or other Contract with respect to the Leased Real Property ("Lease Agreements");

(xvi) any Contract related to the development, distribution, or provision of any Company Intellectual Property or Company Offerings, and any Contract related to the support or maintenance of any Company Intellectual Property or Company Offerings that requires payment in excess of $20,000 per year individually;

(xvii) any Contract that concerns protection of, or imposes any obligations with respect to use or disclosure of, Trade Secrets other than Contracts on Company's applicable standard form non-disclosure agreement without substantive changes; and

(xviii) any other "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC).

(b) Each Contract of the type described in Section 3.13(a) and each Company Intellectual Property Contract (other than Unscheduled Outbound IP Contracts and Unscheduled Inbound IP Contracts) is referred to herein as a "Company Material Contract." Accurate and complete copies of each Company Material Contract have been provided or made available by the Company to Parent.

(c) (i) Each Company Material Contract is a legally valid, binding and enforceable obligation of the Company and, to the knowledge of the Company, of the other party or parties thereto, in accordance with its terms, subject to applicable bankruptcy, insolvency and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity, (ii) each Company Material Contract is in full force and effect and, upon consummation of the Merger, shall continue to be in full force and effect without penalty,

acceleration, termination, repurchase right or other adverse consequence, (iii) the Company has in all material respects performed the obligations required by it under each Company Material Contract, (iv) the Company does not know of, and has not received notice of, any violation or default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any Company Material Contract and (v) the Company has not received any notice from any other party to any such Company Material Contract, and otherwise has no knowledge, that such party intends to terminate, or not renew, any such Company Material Contract.

(d) There are no outstanding amounts payable to or receivable from, or advances by the Company to, and the Company is not otherwise a creditor or debtor to, or party to any Contract or transaction with, any holder of 5% or more of the Company Common Stock or any director, officer, employee or affiliate of the Company, except for employment or compensation agreements or arrangements with directors, officers and employees made in the ordinary course of business consistent with past practice.

(e) The Company provides services to its customers under the terms of the warranties described in Section 3.13(e)(i) of the Company Disclosure Schedule. The Company currently has not and previously has not had, any material disputes concerning its services with any of the 30 largest customers of the Company in 2020, or for 2021 to date, based on amounts paid or payable by such Person during each such period (each, a "Significant Customer"), and the Company has no knowledge of any material dissatisfaction on the part of any such Significant Customer or any facts or circumstances that would lead to such material dissatisfaction. Each Significant Customer is listed on Section 3.13(e)(ii) of the Company Disclosure Schedule. The Company has not received written or, to the knowledge of the Company, oral notice from any Significant Customer that such Significant Customer shall not continue as a customer of the Company or that such Significant Customer intends to terminate or materially modify existing Contracts with the Company (or the Parent).

(f) The Company currently has not or previously has not had any material dispute concerning products and/or services provided by any supplier who was one of the 15 largest suppliers of products and/or services to the Company in 2020, or for 2021 to date, based on amounts paid or payable by such Person during each such period (each, a "Significant Supplier"), and the Company has no knowledge of any material dissatisfaction on the part of any Significant Supplier or any facts or circumstances that would lead to such material dissatisfaction. Each Significant Supplier is listed on Section 3.13(f) of the Company Disclosure Schedule. The Company has not received written or, to the knowledge of the Company, oral notice from any Significant Supplier that such Significant Supplier shall not continue as a supplier to the Company or that such Significant Supplier intends to terminate or materially modify existing Contracts with the Company (or the Parent).

3.14 Litigation.

(a) There is no suit, claim, action, proceeding, litigation, hearing, writ, injunction, notice of violation, investigation, arbitration, mediation, audit, dispute or demand letter ("Action") pending or, to the knowledge of the Company, threatened against or affecting the Company (including by virtue of indemnification or otherwise) or their respective assets or properties, or any executive officer or director of the Company that, individually or in the aggregate, has had a Company Material Adverse Effect. As of the date of this Agreement, Section 3.14 of the Company Disclosure Schedule sets forth a description of each current Action pending or, to the knowledge of the Company, threatened against or affecting the Company (including by virtue of indemnification or otherwise) or its assets or properties, or any executive officer or director of the Company and relating to the Company or their service to the Company.

(b) Neither the Company nor any of its assets or properties, is subject to any order, writ, injunction, judgment, decree, decision, determination, ruling, subpoena, verdict, stipulation, award, settlement agreement or similar Contract, arbitration award or finding ("Order") entered by or with any Governmental Entity or, to the knowledge of the Company, is subject to any continuing investigation by any Governmental Entity.

3.15 Environmental Matters. Except as has not had a Company Material Adverse Effect: (a) the Company is in compliance in all material respects with all Environmental Laws and (b) during the period of the Company's use and occupancy, there have been no releases of Hazardous Substances at the Leased Real Property in quantities that are reasonably likely to result in remediation costs to the Company pursuant to Environmental Laws. The Company has not received written notice of any Environmental Claims against the Company, nor has the Company received any written notification of any allegation of any actual or potential responsibility for the disposal, release or threatened release at any location of any Hazardous Substance, in each case during the period of the Company's use and occupancy of the Leased Real Property.

3.16 Intellectual Property.

(a) Section 3.16(a) of the Company Disclosure Schedule contains a complete and accurate list of all Company Offerings, including, where applicable, the title and most current version, release number and release date.

(b) Section 3.16(b) of the Company Disclosure Schedule contains a complete and accurate list of all Registered Company Intellectual Property, in each case listing, as applicable: (i) for each Patent, the name of the current owner, the Patent number or application serial number, the jurisdiction in which it was filed, the filing and issuance/grant dates, and the present prosecution status, (ii) for each registered Trademark or Trademark application, the name of the applicant/registrant, the jurisdiction where the application/registration is located, the filing date, the registration date, duration of validity, application serial number or registration number, the class of goods covered, and the nature of the goods or services, (iii) for each Domain Name, the name of the registrant, the registration date, the expiration date, the renewal date, the registrar name, and contact information for the registrar, including its billing agent, (iv) for each registered Copyright or Copyright application, the name of the applicant/registrant, the jurisdiction where the application/registration is located, the application or registration number, and date of such application or registration and (v) for each item of Registered Company Intellectual Property, any Person other than the Company that has an ownership interest therein and the nature of such ownership interest. Section 3.16(b) of the Company

Disclosure Schedule also contains a complete and accurate list of all material unregistered Trademarks used or held for use by the Company in connection with the Company Offerings and all material unregistered Copyrights included in the Company-Owned Intellectual Property.

(c) For each item of Registered Company Intellectual Property: (i) all necessary registration, maintenance and renewal fees due and payable as of the Closing Date have been paid, (ii) all documents necessary for obtaining, maintaining, perfecting, preserving and renewing the Registered Company Intellectual Property required to be filed as of the date hereof and as of the Closing Date have been filed with the appropriate Governmental Entity, (iii) each such item has been prosecuted in compliance in all material respects with applicable Law and (iv) there are no actions (including payment of any fees or filing of any documents) that must be taken within 90 days following the Closing Date (or reasonable estimation thereof) for purposes of obtaining, maintaining, perfecting, preserving or renewing such Registered Company Intellectual Property.

(d) None of the Company-Owned Intellectual Property is involved in or subject to any pending or threatened Action regarding ownership, use, invalidity or enforceability, including any interference, reexamination, cancellation, or opposition proceeding. There are no facts, circumstances, or information to the Company's knowledge, that would be expected to: (i) render any of the Intellectual Property Rights in the Company-Owned Intellectual Property invalid or unenforceable or (ii) adversely affect, limit, restrict, impair, or impede the ability of the Surviving Corporation to use and practice the Company Intellectual Property upon the Closing in the same or similar manner as currently used and practiced by the Company (and as currently planned to be used and practiced). To the knowledge of the Company, the Company-Owned Intellectual Property is subsisting and in full force and effect, and has not been abandoned or passed into the public domain.

(e) Section 3.16(e)(i) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts to which the Company is a party, or by which the Company is otherwise bound under which the Company has granted or agreed to grant to any Third Party any assignment, license, covenant not to sue, release, immunity or other right with respect to Intellectual Property or Intellectual Property Rights ("Outbound Intellectual Property Contracts"), other than nondisclosure agreements, end user license agreements, and terms of use entered into in the ordinary course of business on Company's applicable standard form agreement without material changes ("Unscheduled Outbound IP Contracts"). Section 3.16(e)(ii) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts to which the Company is a party, or by which the Company is otherwise bound under which any Third Party has granted or agreed to grant to the Company any assignment, license, covenant not to sue, release, immunity or other right with respect to Intellectual Property or Intellectual Property Rights ("Inbound Intellectual Property Contracts"), other than employment agreements between Company and its employees and non-exclusive, proprietary (i.e., non-Open Source) inbound Software licenses generally commercially available on commercially reasonable terms with annual license fees under $10,000 in the aggregate that do not relate to Intellectual Property or Intellectual Property Rights incorporated into any Company Offering ("Unscheduled Inbound IP Contracts").

(f) Neither this Agreement nor the transactions contemplated by this Agreement will violate or result in the breach, material modification, cancellation, termination or suspension of, or acceleration of any payments under, any Company Intellectual Property Contract. Following the Closing Date, the Surviving Corporation will have and be permitted to exercise all of the Company's rights under all Company Intellectual Property Contracts (and will have the same rights with respect to the Intellectual Property and Intellectual Property Rights of Third Parties included in the Company Intellectual Property) to the same extent the Company would have had, and been able to exercise, had the transactions contemplated by this Agreement not occurred, without payment of any additional amounts or consideration other than ongoing fees, royalties or payments that the Company would have been required to pay anyway even if such transactions had not occurred.

(g) Neither this Agreement nor the transactions contemplated by this Agreement, nor any Contracts to which the Company is a party (including the assignment (if any) to the Surviving Corporation upon or at any time following Closing, by operation of law or otherwise, of any such Contracts), will result in (i) any Third Party being granted the right to exercise any rights to or access to, or the placement in or release from escrow, any Intellectual Property, (ii) violation, breach, material modification, cancellation, termination or suspension of, or acceleration of any payments under, the Company Intellectual Property Contracts or (iii) Parent or any of its affiliates or the Surviving Corporation (x) granting or being required to grant to any Third Party any license, covenant not to sue, immunity or other right with respect to any Intellectual Property or Intellectual Property Rights, (y) being bound by, or subject to, any non-compete or other restriction on the operation or scope of their respective businesses or (z) being obligated to pay any amounts, or offer discounts to any Person, except, with respect to Surviving Corporation in each case (x)-(z), to the same extent that the Company would have been so obligated even if such transactions had not occurred.

(h) The Company solely and exclusively owns all right, title and interest in and to (including the sole right to enforce) the Company-Owned Intellectual Property, free and clear of any and all Liens, and have not (i) licensed any such Company-Owned Intellectual Property, or any other Company Intellectual Property, to any Third Party, except pursuant to an Outbound Intellectual Property Contract listed in Section 3.16(e)(i) of the Company Disclosure Schedule or an Unscheduled Outbound IP Contract or (ii) exclusively licensed any such Company-Owned Intellectual Property, or any other Company Intellectual Property, to any Third Party. The Company is listed in the records of the appropriate Governmental Entity as the sole owner of each item of Registered Company Intellectual Property. All Licensed Company Intellectual Property is licensed by the Company pursuant to a valid Inbound Intellectual Property Contract listed in Section 3.16(e)(i) for use in the manner in which it is currently used by the Company. All Company Intellectual Property is either Company-Owned Intellectual Property or Licensed Company Intellectual Property.

(i) The Intellectual Property and Intellectual Property Rights included in the Company-Owned Intellectual Property and Licensed Company Intellectual Property include all of the Intellectual Property and Intellectual Property Rights that are necessary to enable the Surviving Corporation to conduct the business of the Company as currently conducted, and, immediately following the Closing, the Surviving Corporation will own or have (pursuant to the Inbound Intellectual Property Contracts) the same rights that the Company had immediately prior to the Closing with respect to such Intellectual Property and Intellectual Property Rights.

(j) The Company has taken steps consistent with industry standards, and in any event no less than reasonable steps, to

safeguard and maintain the secrecy and confidentiality of, and its proprietary rights in, all Trade Secrets provided by Third Parties for which the Company has an obligation of confidentiality and any other Trade Secrets that are included in the Company Intellectual Property. The Company has not authorized the disclosure of any Trade Secret included in the Company Intellectual Property, nor has any such Trade Secret been disclosed to a Third Party by the Company other than pursuant to a valid and enforceable confidentiality agreement with respect thereto. To the knowledge of Company, no Person has misappropriated, made any unauthorized disclosure of, or breached its confidentiality obligations with respect to any Trade Secret included in the Company Intellectual Property.

(k) Each current and former employee, officer, consultant and contractor of the Company ("Company Personnel"), who is or has been involved in the development of any Company-Owned Intellectual Property or Company Offerings, has executed and delivered to the Company applicable employment or contractor agreements, non-disclosure agreements, and assignment agreements that assign to the Company all Intellectual Property and Intellectual Property Rights developed in connection with such Person's work for the Company, which applicable documents contain contractual terms reasonably protective of for the Trade Secrets of the Company. To the knowledge of the Company, no Company Personnel is in breach of any such agreement. No Company Personnel has any ownership, license, or other right in any Company-Owned Intellectual Property, and the Company does not owe any royalties, license fees or other amounts to any Company Personnel with respect to any Company-Owned Intellectual Property.

(l) To the knowledge of the Company no government funding, facilities or funding of a university, college, other educational institution or research center or funding from a granting agency was used in the development of any Company-Owned Intellectual Property or Company Offering.

(m) To the Company's knowledge, the conduct of the business of the Company as currently conducted, including the design, development, use, provision, import, branding, advertising, promotion, marketing, manufacture and sale of any Company Offerings (i) does not infringe, misappropriate, use or disclose without authorization, or otherwise violate any Intellectual Property Rights of any Third Party and (ii) does not constitute unfair competition or trade practices under the Laws of any relevant jurisdiction.

(n) The Company n has received any written notice (or been involved in any Action) alleging (or describing an allegation) that the Company, the business of the Company. or any Company Offering, infringes, misappropriates, uses or discloses without authorization, or otherwise violates any Intellectual Property Rights of any Person or constitutes unfair competition or trade practices under the Laws of any relevant jurisdiction. No Action is pending or, to the knowledge of the Company, threatened against any Third Party who may be entitled to be indemnified, defended, held harmless, or reimbursed by the Company with respect to any such allegation or Action. Without limiting the foregoing, the Company has not received any correspondence asking or inviting the Company to enter into a Patent license or similar agreement or to obtain a release, immunity, or a covenant not to sue for Patent infringement with respect to the Patents of any other Person.

(o) All use and distribution of Company Offerings or any Open Source by or through the Company is in compliance in all material respects with all Open Source licenses applicable thereto, including copyright notice and attribution requirements. Section 3.16(o)(i) of the Company Disclosure Schedule contains a complete and accurate list of all Open Source that is incorporated into, integrated or bundled with, linked with, or used in the development or compilation of, or otherwise used in or with any Company Offerings or Company-Owned Intellectual Property. Section 3.16(o)(ii) of the Company Disclosure Schedule identifies the license applicable to each such item of Open Source. Except as set forth in Section 3.16(o)(iii) of the Company Disclosure Schedule, the Company has not (A) incorporated Open Source into, integrated, bundled with or otherwise combined Open Source with, any Company Offerings or Company-Owned Intellectual Property in the nature of Software; (B) distributed Open Source in conjunction with or for use with any Company Offerings or Company-Owned Intellectual Property in the nature of Software; or (C) used Copyright Materials in a manner that requires any Company Offerings, Company-Owned Intellectual Property in the nature of Software, or any portion thereof to be subject to Copyright Licenses (or any of the obligations or attributes thereof as specified in (i) through (iv) of the definition thereof).

(p) The Company has not made a written claim or initiated any Action with respect to infringement, misappropriation or other violation of Intellectual Property Rights or with respect to unfair competition or trade practices against any Third Party, nor has the Company issued any written correspondence asking or inviting any Third Party to enter into a Patent license or similar agreement or to obtain a release, immunity, or a covenant not to sue for Patent infringement with respect to any Patents.

(q) Prior to permitting the use or download of, or access to, a Company Offering by any Person, the Company requires such Person to enter into an end user license agreement or affirmatively agree to terms of use applicable to such Company Offering. The Company has provided to Parent all forms of nondisclosure agreements, end user license agreements, terms of use and other standard form agreements that are currently or were at any time in use related to the use or download of, or access to, Company Offerings.

(r) Section 3.16(r) of the Company Disclosure Schedule contains a list of all standard-setting organizations, industry bodies and other standards-related activities that the Company has participated in, been a member of, or contributed to and a description of, or reference to a description of, the nature of such organizations, bodies and other activities.

3.17 Privacy; Data Security(a)At all times since it began selling any Company Offering, the Company has provided notice of its privacy practices on all of its websites and these notices have not contained any material omissions of the Company's privacy practices or practices concerning the collection, use, and disclosure of Personal Information or information about a user or consumer that is not Personal Information, including data collected from an IP address, web beacon, pixel tag, ad tag, cookie, JavaScript, local storage, Software, or by any other means, or from a particular computer, Web browser, mobile telephone, or other device or application, where such data is or may be used to identify or contact an individual, device, or application (including, without limitation, by means of an advertisement or content), or to predict or infer the preferences, interests, or other characteristics of the device or of a user of such device or application or is otherwise used to target advertisements or other content to a device or application or to a user of such device or

application ("Non-Personal Information"). The privacy policy or policies providing this notice and the periods each policy has been in effect are set forth in Section 3.17(a) of the Company Disclosure Schedule (hereinafter collectively, the "Privacy Policies"). The privacy practices of the Company conform, and at all times have conformed, in all material respects to their respective Privacy Policies at the time each Privacy Policy was in effect and with any public statements regarding the privacy practices of the Company. The Company has complied in all material respects with all Laws relating to: (i) the privacy of users of (including Internet or mobile users who view or interact with) the Company Offerings and all of the websites of the Company, and (ii) the collection, use, storage, retention, disclosure, and disposal of any Personal Information or Non-Personal Information collected by the Company, or by Third Parties acting on the Company's behalf 's behalf or having authorized access to the Company's 's records. The Privacy Policies and practices of the Company concerning the collection, use, retention, disclosure, and disposal, of Personal Information or Non-Personal Information conform, and at all times have materially conformed, to all of the contractual commitments of the including to viewers of the websites of the Company and users of (including Internet users who view or interact with) the Company Offerings and the contractual commitments of the Company through which Company Offerings are offered. The Company's Privacy Policies and the Company Offerings conform, and at all times have materially conformed to applicable Law and, to the extent subject thereto, to the Network Advertising Initiative's Self-Regulatory Code of Conduct (2008), the Digital Advertising Alliance 's Self-Regulatory Principles for Online Behavioral Advertising, and the Federal Trade Commission's Principles for the Self Regulation of Online Behavioral Advertising (2010). Except as required to process a transaction or provide the Company Offerings, the Company has not disclosed, and does not have any obligation to disclose, any Personal Information or Non-Personal Information to any Third Party. The Company, the Company's websites, and the Company Offerings, have made all disclosures to users or customers and obtained all necessary consents from users or customers required by applicable Law, and none of such disclosures made or contained in any of the Company's websites or in any such materials have been inaccurate, misleading or deceptive or in violation of any applicable Law. No Actions have been asserted or, to the knowledge of the Company, are threatened against the Company by any Person alleging a violation of any Person's privacy, personal or confidentiality rights under the Privacy Policies or any applicable Law. Neither this Agreement nor the transactions contemplated by this Agreement, including any disclosures of data, will violate the Privacy Policies as they currently exist or as they existed at any time during which any of the Personal Information or Non-Personal Information was collected or obtained.

(b) To the knowledge of the Company, at all times since inception, the Company has complied in all material respects with any Law applicable to the Company relating to the security of Personal Information to which the Company or Third Parties acting on the Company's behalf, or otherwise having authorized access to the Company's records, have access or otherwise collect or handle. To the knowledge of the Company, the Company's information security practices conform, and at all times have conformed, in all material respects with (i) any information security statements made by Company in its respective Privacy Policies at the time each Privacy Policy was in effect and (ii) all of the contractual commitments of the Company including, but not limited to, any contractual commitments to analytics providers, data providers, publishers, advertisers and advertising networks, exchanges and advertising networks, through which Company Offerings are offered. The Company has made no statements to the general public regarding the information security practices of the Company other than those made in its respective Privacy Policies. No Actions have been asserted or, to the knowledge of the Company, are threatened against the Company by any Person with respect to the security of Personal Information. To the knowledge of the Company, there has been no unauthorized access to or unauthorized disclosure or use of Personal Information owned or licensed by the Company or in the Company's possession or control by or to any Third Party, including any Governmental Entity.

3.18 Tax Matters.

(a) The Company has timely filed or caused to be timely filed with the appropriate Governmental Entities all Tax Returns required to be filed by, or with respect to, it. All such Tax Returns are accurate, correct and complete in all material respects. All material Taxes of the Company or for which the Company could be liable, which are due and payable (whether or not shown on any Tax Return), have been timely paid. No claim has been made in writing by any Governmental Entity in a jurisdiction where the Company does not file a Tax Return that such entity is or may be subject to Tax by that jurisdiction. As of June 30, 2021, the unpaid Taxes of the Company did not exceed by a material amount the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth or included in the consolidated balance sheet of the Company as of June 30, 2021 (rather than in any notes thereto). Since June 30, 2021, Company not incurred any liability for Taxes outside the ordinary course of business or inconsistent with past practice.

(b) There is no Action concerning any Tax liability of the Company ongoing, claimed or raised by any Governmental Entity in writing or, to the knowledge of the Company, other than in writing. The Company has not waived any statute of limitations in respect of Taxes which waiver has not yet expired or agreed to any extension of time with respect to a Tax assessment or deficiency which extension has not yet run or in each case been requested in writing to do so. The Company is not a party to or bound by any Tax allocation agreement, Tax indemnity agreement, Tax sharing agreement or similar Contract with respect to Taxes.

(c) The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder of the Company or other Person.

(d) The Company has delivered or made available to Parent correct and complete copies of all federal, state and foreign income and other material Tax Returns of the Company for all Tax years open under the applicable statute of limitations, including, promptly upon their availability, for the most recent Tax year.

(e) There is no Lien for Taxes on or against any property, right or asset of the Company other than a Permitted Lien.

(f) All deficiencies asserted and assessments made with respect to Taxes of the Company (i) have been fully paid or (ii) are being contested in good faith by appropriate proceedings and an adequate reserve therefor has been established in accordance with GAAP on the balance sheet of the Company.

(g) The Company has not been a member of an affiliated group filing a consolidated federal income Tax Return or any similar group for federal, state, local or foreign Tax purposes (other than a group the common parent of which is the Company), and neither the Company n has any liability for Taxes of any other Person (other than the Company ) pursuant to Treasury Regulation Section 1.1502-6 (or any similar provision of any other applicable Law), as a transferee or successor, by Contract or otherwise.

(h) The Company has not entered into a transaction under which gain or income has been realized but the taxation of such gain or income has been deferred under any provision of any applicable Law or by agreement with any Tax authority (including an installment sale, a deferred intercompany transaction, any change in method of accounting for a taxable period ending on or prior to the Closing Date, any closing agreement as described in Section 7121 of the Code (or any corresponding or similar provision of any applicable Law) executed on or prior to the Closing Date, any prepaid amount received on or prior to the Closing Date, or a gain recognition agreement), or a transaction under which previously utilized Tax losses or credits may be recaptured (including a dual consolidated loss or an excess loss account), in each case if such gain or income recognition or such loss or credit recapture, if triggered, would give rise to a Tax liability.

(i) Neither the Company nor any of its predecessors by merger or consolidation has been a party to a transaction intended to qualify under Section 355 of the Code or under so much of Section 356 of the Code as relates to Section 355 of the Code.

(j) The Company is not and has not been a party to a transaction that is or is substantially similar to a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2) or any other transaction requiring disclosure under similar provisions of any applicable Law.

(k) The Company (i) does not have a permanent establishment (within the meaning of an applicable Tax treaty) in any country other than the United States, or operates or conducts business through any branch in any country other than the United States, (ii) is not and has not been a "surrogate foreign corporation" within the meaning of Section 7874(a)(2)(B) of the Code or is treated as a United States corporation under Section 7874(b) of the Code or (iii) was created or organized both in the United States and in a foreign jurisdiction such that it would be taxable in the United States as a domestic entity pursuant to Treasury Regulation Section 301.7701-5(a).

(l) The Company has not disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code.

(m) The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

3.19 Insurance. The Company has made available to Parent accurate and complete copies of all material insurance policies relating to the business, assets and operations of the Company (the "Insurance Policies"). Section 3.20 of the Company Disclosure Schedule contains an accurate and complete list of the Insurance Policies. Each of the Insurance Policies is in full force and effect, all premiums due thereon as of the date hereof have been paid in full and the Company are in compliance in all material respects with the terms and conditions of such Insurance Policies. Since January 1, 2021, the Company has not received any notice or other communication regarding any actual or possible (a) cancellation of any Insurance Policy that has not been renewed in the ordinary course without any lapse in coverage, (b) invalidation of any Insurance Policy, (c) refusal of any coverage, limitation in coverage or rejection of any material claim under any Insurance Policy or (d) material adjustment in the amount of the premiums payable with respect to any Insurance Policy. There is no material claim by the Company pending under any of the Insurance Policies and no material claim made since January 1, 2019, in the case of any pending claim, has been questioned or disputed by the underwriters of such Insurance Policies. None of the Insurance Policies will terminate or lapse by reason of the transactions contemplated by this Agreement.

3.20 Properties and Assets. The Company has, and immediately following the Effective Time will continue to have, good and valid title to their owned assets and properties, or in the case of assets and properties they lease, license, or have other rights in, good and valid rights by lease, license or other agreement to use, all assets and properties (in each case, tangible and intangible) free and clear of all Liens other than Permitted Liens. To the knowledge of the Company, the assets and properties (in each case, tangible or intangible) owned or used by the Company or the Company Subsidiaries are in reasonably satisfactory condition for their continued use as they have been used and reasonably adequate in all material respects for their current use, subject to reasonable wear and tear. Notwithstanding the foregoing, it is understood and agreed that matters regarding Company Intellectual Property are addressed solely in Section 3.17 and not in this Section 3.21.

3.21 Real Property. The Company does not own any real property. Section 3.21 of the Company Disclosure Schedule sets forth (i) an accurate and complete list of all real property leased, subleased or otherwise occupied by the Company (collectively, the "Leased Real Property"), (ii) the address for each Leased Real Property, (iii) a description of the applicable lease, sublease or other Contract therefor and any and all amendments, modifications, side letters relating thereto and (iv) the current rent amounts payable by the Company related to each Leased Real Property. No Lease Agreement is subject to any Lien granted by the Company, including any right to the use or occupancy of any Leased Real Property, other than Permitted Liens. The Company has not received written notice of any Action in eminent domain, expropriation, condemnation or other similar Actions that are pending, and, to the knowledge of the Company, as of the date hereof, there are no such Actions threatened in writing, affecting any portion of the Leased Real Property and, to the knowledge of the Company, there is no such Order or Action threatened in writing, relating to the ownership, lease, use, occupancy or operation by the Company of the Leased Real Property.

3.22 Information. No representation, statement or information contained in this Agreement (including the various exhibits attached hereto) or any agreement executed in connection herewith or in any certificate or other document delivered pursuant hereto or thereto or made or furnished to Parent or Purchaser or its representatives by the Company, contains or shall contain any untrue statement of a material fact or omits or shall omit any material fact necessary to make the information contained herein and therein not misleading.

Copies of all documents listed or described in the various exhibits and schedules attached hereto and provided by Company or Seller to Purchaser or Parent are true, accurate and complete. The information supplied by the Company will not, when filed with the SEC in any filing, statement or report required to be filed by Parent to authorize or approve the Merger, when distributed or disseminated, contain any untrue statement of a material fact or omit to state any 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.

3.23 Required Vote. The affirmative vote of (i) the holders of shares representing a majority of the voting power of the outstanding shares of the Company's capital stock of all classes, voting together as a single class on an as converted to Common Stock basis,; and (ii) the holders of shares representing a majority of the voting power of the outstanding shares of the Company's Preferred Stock, voting together as a single class on an as converted to Common Stock basis, are the only votes required, if any, of the holders of any class or series of capital stock or other Equity Interests of the Company to approve and adopt this Agreement and the transactions contemplated hereby, including the Merger (the "Company Stockholder Approval").

3.24 Brokers. Neither the Company nor any stockholder, director, officer, employee or affiliate of the Company, has incurred or will incur on behalf of the Company, any brokerage, finders', advisory or similar fee in connection with the transactions contemplated by this Agreement, including the Merger.

3.25 Anti-Corruption Laws.

(a) Neither the Company nor to the Company's knowledge, any officer, director, agent, consultant, employee or other Person acting on behalf of the Company, has, directly or indirectly, taken any action which would cause them to be in violation of: (i) the principles set out in the Organization for Economic Cooperation and Development Convention Combating Bribery of Foreign Public Officials in International Business Transactions, (ii) the Foreign Corrupt Practices Act of 1977, as amended, or any rules or regulations thereunder and (iii) any other applicable anti-corruption and/or anti-bribery Laws of any Governmental Entity of any jurisdiction applicable to the Company (whether by virtue of jurisdiction or organization or conduct of business).

(b) The books, records and accounts of the Company have at all times accurately in all material respects and fairly reflected, in reasonable detail, the transactions and dispositions of their respective funds and assets. There have never been any false or fictitious entries made in the books, records or accounts of the Company relating to any illegal payment or secret or unrecorded fund, and neither the Company has established or maintained a secret or unrecorded fund.

(c) The Company has not entered into any transaction with any of its affiliates that has provided to the Company revenues, earnings or assets that would not have been available to it in an arm's length transaction with an unaffiliated Person.

3.26 Export Controls. The Company has at all times conducted its export and related transactions in all material respects in accordance with (i) all applicable export, re-export, and anti-boycott Laws of the United States, including the Arms Export Control Act (22 U.S.C.A. § 2278), the Export Administration Act (50 U.S.C. App. §§ 2401-2420), the International Traffic in Arms Regulations (22 C.F.R. 120-130), and United States economic sanctions Laws administered by the United States Treasury Department's Office of Foreign Assets Control and (ii) all other applicable import and export control Laws in any countries in which the Company conducts business. Without limiting the foregoing:

(a) The Company has obtained all material export licenses and other material consents, authorizations, waivers, approvals, and Orders, and have made or filed any and all necessary notices, registrations, declarations and filings with any Governmental Entity, and has met the requirements of any license exceptions or exemptions, as required in connection with (i) the export and re-export of products, services, Software or technologies, and (ii) releases of technology, technical data or Software to foreign nationals located in the United States and abroad ("Export Approvals").

(b) The Company is in compliance in all material respects with the terms of all applicable Export Approvals.

(c) There are no pending or, to the knowledge of the Company, threatened Actions against the Company with respect to Export Approvals.

(d) To the knowledge of the Company, there are no actions, conditions or circumstances pertaining to the Company's export and related transactions that may give rise to any future Actions.

(e) No Export Approvals for the transfer of export licenses to Parent or the Surviving Corporation are required, or such Export Approvals can be obtained expeditiously without material cost.

(f) Section 3.28(f) of the Company Disclosure Schedule sets forth the accurate and complete export control classification numbers applicable to the Company's products, services, Software and technologies.

(g) The Company is not currently violating and has not previously violated any United States or other applicable Laws involving restrictions or limitations on the use, development, export of or encryption of technology, and the business as currently conducted does not require the Company to obtain a license pursuant to any applicable Laws regulating the development, commercialization or export of technology.

3.27 Inventories. The inventory of the Company shown on the most recent balance sheet included in the Financial Statements and the inventory of the Company as of the Closing Date are stated and will be stated at not more than the lower of cost (on a first-in first-out basis) or market, and are fit for their particular use, do not and will not include any items below standard quality, defective, damaged or spoiled, obsolete

or of a quality or quantity not usable or salable in the ordinary course of the business of the Company as currently conducted or any items whose expiration date has passed, the value of which has not been fully written down or reserved against in the Financial Statements. Schedule 3.29 sets forth a list of all of the Company's inventory as of the Closing Date.

3.28 Regulatory Compliance.

(a) The Company is in compliance with all applicable Laws, rules, regulations, and policies administered or enforced by the U.S. FAA, any state or municipality and similar agencies in which such Company's products or services are offered or sold, and any other governmental entity that regulates the development of UAV in any jurisdiction, including, without limitation, relating to state or federal anti-kickback sales and marketing practices, insurance and bonding, advertising and promotion, pre- and post-marketing reporting, and all other pre- and post-marketing reporting requirements, as applicable.

(b) Schedule 3.30(b) lists each product developed, manufactured, licensed, distributed or sold by each Company (collectively, the "Products"). Each Product manufactured by or on behalf of each Company has been manufactured in accordance with (i) the product registration applicable to such Product, (ii) the specifications under which the Product is normally and has normally been manufactured, (iii) the applicable provisions of current "CE" or "UL" good manufacturing practices or other governmental authority and (iv) without limiting the generality of Section 3.30, the provisions of all applicable Laws.

(c) The Company has obtained all registrations or submissions required for the Products and all amendments and supplements thereto, and all other Permits required by the FAA to conduct the business as it is currently conducted (the "Regulatory Approvals"). All of the Regulatory Approvals have been duly and validly issued and are in full force and effect, and the Company is in compliance with each such permit held by or issued to it. Except as listed on Schedule 3.30(c), the Company is the sole and exclusive owner of the Regulatory Approvals and holds all right, title and interest in and to all such Regulatory Approvals. The Company has not granted any third party any right or license to use, access or reference any of the Regulatory Approvals, including without limitation, any of the know-how contained in any of the Regulatory Approvals or rights (including any regulatory exclusivities) associated with each such Regulatory Approvals.

(d) There is no action or proceeding by any governmental or regulatory authority pending or, to the knowledge of the Company, threatened, seeking the recall of any of the Products or the revocation or suspension of any Regulatory Approval. The Company has made available to Purchaser complete and correct copies of all Regulatory Approvals. In addition, (i) the Company has made available to Purchaser a complete and correct copy of the Product Data; (ii) to the knowledge of the Company, all laws and regulations applicable to the preparation and submission of the Regulatory Approvals to the relevant regulatory authorities have been complied with; (iii) to the knowledge of the Company, the Company has filed with the relevant regulatory authorities all required notices, supplemental applications, and annual or other reports, including adverse experience reports, with respect to the Regulatory Approvals.

(e) There exist no set of facts: (i) which could furnish a basis for the recall, withdrawal or suspension of any product registration, product license, manufacturing license, wholesale dealers license, export license or other license, approval or consent of any domestic or foreign governmental or regulatory authority with respect to the Company or any of the Products; or (ii) which could furnish a basis for the recall, withdrawal or suspension of any Product from the market, the termination or suspension of any testing of any Product, or the change in marketing classification of any Product.

(f) Except as set forth in Schedule 3.30(f), all Products which have been sold through the Company have been merchantable and free from defects in material or workmanship for the term of any applicable warranties and under the conditions of any express or implied specifications and warranties arising under Law and as set forth in the specific order. Except as disclosed in Schedule 3.30(f) hereto, the Company has not received any claims based on alleged failure to meet the specifications or breach of product warranty arising from any applicable manufacture or sale of the Products.

(g) As of the Closing Date, all Product Inventory will conform to the specifications therefor contained in the Regulatory Approvals and to the Regulatory Approvals and with the requirements of all applicable governmental or regulatory authorities.

(h) The Company is and has been in compliance with all Laws requiring the maintenance or submission of reports or records under requirements administered by the FAA or any other governmental authority. Neither the Company, nor any of its employees or agents, have made an untrue or fraudulent statement to the FAA or any other applicable governmental authorities, or in any records and documentation prepared or maintained to comply with the applicable Laws, or failed to disclose a fact required to be disclosed to the FAA or any other similar governmental authorities.

(i) The Company has not been convicted of any crime or engaged in any conduct that could result or resulted in debarment, exclusion or disqualification by the FAA or any other governmental authority and there are no proceedings pending or, to the knowledge of the Company, threatened that reasonably might be expected to result in criminal or civil liability or debarment, exclusion or disqualification by the FAA or any other governmental authority. The Company has not received written notice of or been subject to any other enforcement action involving the FAA or any other governmental authorities, including any suspension, consent decree, notice of criminal investigation, indictment, sentencing memorandum, plea agreement, court order or target or no-target letter, and none of the foregoing are pending or, to the Company's knowledge, threatened in writing against the Company.

(j) The Company has security measures and safeguards in place to protect Personally Identifiable Information it collects from customers and other parties from illegal or unauthorized access or use by its personnel or third parties or access or use by its personnel or third parties in a manner that violates the privacy rights of third parties. To the knowledge of the Company, the Company has complied in all material respects with all Applicable Laws relating to privacy and consumer protection and has not collected, received, stored, disclosed, transferred, used, misused or permitted unauthorized access to any information protected by Applicable Laws related to privacy, whether

collected directly or from third parties, in an unlawful manner. The Company has taken all reasonable steps to protect Personally Identifiable Information against loss or theft and against unauthorized access, copying, use, modification, disclosure or other misuse.

(k) The Company is not party to any corporate integrity agreements, monitoring agreements, consent decrees, settlement orders or similar agreements with or imposed by any governmental authority.

(l) True and complete copies of all information, data, protocols, study reports, safety reports and/or other relevant documents and materials have been made available to Purchaser.

3.29 Banks. Schedule 3.32 sets forth (i) the name of each bank, trust corporation or other financial institution and stock or other broker with which the Company has an account, credit line or safe deposit box or vault, (ii) the names of all Persons authorized to draw thereon or to have access to any safe deposit box or vault, (iii) the purpose of each such account, safe deposit box or vault, and (iv) the names of all Persons authorized by proxies, powers of attorney or other like instrument to act on behalf of the Company in matters concerning their business or affairs. Except as otherwise set forth in Schedule 3.32, no such proxies, powers of attorney or other like instruments are irrevocable.

## ARTICLE 3-A

## REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

Each Stockholder hereby represents and warrants, severally and not jointly, as of the Closing Date to the Purchaser and the Parent as follows:

3.1. Stock Ownership by Stockholder. The Stockholder has good title to, and is the sole record and beneficial owner of, the Shares set forth Opposite Stockholder's name on Schedule 2.1 and the Shares owned by the Stockholder are free and clear of any and all Encumbrances. The Stockholder is not a party to any voting trusts, Stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Shares owned by the Stockholder other than such which will terminate upon the consummation of the transactions contemplated by this Agreement.

3.2. Authorization; Enforceability. If the Stockholder is an entity, the execution, delivery and performance of this Agreement by the Stockholder and the consummation by the Stockholder of the transactions contemplated hereby have been duly authorized by all requisite corporate or other company action on the part of the Stockholder. This Agreement has been duly executed and delivered by the Stockholder, and assuming due authorization, execution and delivery by Purchaser and Parent, this Agreement constitutes a valid and binding obligation of the Stockholder enforceable against the Stockholder in accordance with its terms, except to the extent that the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws, or by equitable principles relating to the rights of creditors generally.

3.5. No Conflict; Governmental Consents. The execution, delivery and performance of this Agreement by the Stockholder does not and will not (i) if the Stockholder is an entity, violate, conflict with or result in the breach of any provision of the charter or by-laws or other organizational documents of the Stockholder, (ii) conflict with or violate in any material respect any Law or Order applicable to the Stockholder, or (iii) result in the creation of any Encumbrance on any of the Shares owned by the Stockholder pursuant to, any note, bond, mortgage, indenture, license, permit, lease, sublease or other Contract to which the Stockholder is a party or by which any of the Shares owned by the Stockholder. The execution, delivery and performance of this Agreement by the Stockholder does not and will not require any Approval or Order of any Governmental Entity.

3.6. Additional Stockholder Representations. (a) Stockholder represents that it is an "accredited investor" as such term is defined in Rule 501 of Regulation D ("Regulation D") promulgated under the Securities Act and that the Stockholder is able to bear the economic risk of an investment in the Parent Shares. Stockholder hereby acknowledges and represents that (i) Stockholder has knowledge and experience in business and financial matters, prior investment experience, including investment in securities that are non-listed, unregistered and/or not traded on a national securities exchange or the Stockholder has employed the services of a "purchaser representative" (as defined in Rule 501 of Regulation D), attorney and/or accountant to read all of the documents furnished or made available by the Parent to the Stockholder to evaluate the merits and risks of such an investment on the Stockholder's behalf; (ii) the Stockholder recognizes the highly speculative nature of this investment; and (iii) the Stockholder is able to bear the economic risk that the Stockholder hereby assumes.

(b) Stockholder understands that the Parent Shares have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act that depends, in part, upon Stockholder's investment intention. In connection with the foregoing, Stockholder hereby represents that the Stockholder is purchasing the Parent Shares for the Stockholder's own account for investment and not with a view toward the resale or distribution to others. The Stockholder, if an entity, further represents that it was not formed for the purpose of purchasing the Parent Shares. Stockholder understands and hereby acknowledges that the Company is under no obligation to register any of the Parent Shares under the Securities Act or any state securities or "blue sky" laws.

(c) Stockholder consents to the placement of a legend on any certificate or other document evidencing the Parent Shares that such Parent Shares have not been registered under the Securities Act or any state securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement. The Stockholder is aware that the Parent will make a notation in its appropriate records with respect to the restrictions on the transferability of such Parent Shares. The legend to be placed on each certificate shall be in form substantially similar to the following:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES AND MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION

STATEMENT FILED BY THE ISSUER WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION COVERING SUCH SECURITIES UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH REGISTRATION IS NOT REQUIRED

(b) Except for the Stockholder's right to receive the Merger Consideration payable and issuable to such Stockholder and except for such Stockholder's other rights under this Agreement, Stockholder irrevocably and unconditionally fully and forever waives, releases, and discharges each of Company, Parent, Purchaser, and each of Company's officers and directors, employees, attorneys, agents, affiliates or assigns ("Released Parties"), from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, written or oral, in law, admiralty, or equity, which Stockholder has, ever had, or now has as against any such Released Parties for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Agreement arising out of or relating to any business transactions between the Stockholder and the Released Parties.

## ARTICLE 4
## REPRESENTATIONS AND WARRANTIES OF PARENT AND THE PURCHASER

Parent and the Purchaser hereby represent and warrant to the Company and the Stockholders as follows:

4.1 Organization and Qualification. Each of the Parent and the Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation and has all requisite corporate power and corporate authority to own, lease and operate its properties and assets and to carry on its business as currently conducted. Each of the Parent and the Purchaser is duly qualified to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing, individually or in the aggregate, has not had a Parent Material Adverse Effect.

4.2 Authority. Each of the Parent and the Purchaser has all necessary corporate power and corporate authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the Merger. The execution and delivery of this Agreement by each of the Parent and the Purchaser, as applicable, and the consummation by the Parent and the Purchaser of the transactions contemplated hereby, including the Merger, have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of the Parent or the Purchaser and no stockholder votes are necessary to authorize this Agreement or to consummate the transactions contemplated hereby other than, with respect to the Merger, the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL. This Agreement has been duly authorized and validly executed and delivered by the Parent and the Purchaser and, assuming due authorization, execution and delivery by the Company, constitutes a legally valid and binding obligation of the Parent and the Purchaser, enforceable against the Parent and the Purchaser in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws affecting creditors' rights generally and subject to the effect of general principles of equity, whether considered in a proceeding in equity or at law).

4.3 No Conflict. None of the execution, delivery or performance of this Agreement by the Parent or the Purchaser, the consummation by the Parent or the Purchaser of the Merger or any other transaction contemplated by this Agreement, or compliance by Parent or the Purchaser with any of the provisions of this Agreement will (with or without notice or lapse of time, or both): (a) conflict with or violate any provision of the certificate of incorporation or bylaws (or any equivalent organizational or governing documents) of Parent or the Purchaser; (b) assuming that all consents, approvals, authorizations and permits described in Section 4.4 have been obtained and all filings and notifications described in Section 4.4 have been made and any waiting periods thereunder have terminated or expired, conflict with or violate any Law applicable to Parent or the Purchaser or any other Subsidiary of Parent (each a "Parent Subsidiary") or any of their respective properties or assets; or (c) require any consent or approval under, violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the respective properties or assets of Parent, the Purchaser or any Parent Subsidiary pursuant to any Contract or permit to which Parent, the Purchaser or any Parent Subsidiary is a party or by which they or any of their respective properties or assets may be bound or affected, except, with respect to clauses (b) and (c), for any such conflicts, violations, consents, breaches, losses, defaults, other occurrences or Liens which, individually or in the aggregate, have not had a Parent Material Adverse Effect.

4.4 Required Filings and Consents. Assuming the accuracy of the representations and warranties of the Company in Section 3.5, none of the execution, delivery or performance of this Agreement by Parent and the Purchaser, the consummation by Parent and the Purchaser of the Merger or any other transaction contemplated by this Agreement, or compliance by Parent or the Purchaser with any of the provisions of this Agreement will require (with or without notice or lapse of time, or both) any consent, approval, authorization or permit of, or filing or registration with or notification to, any Governmental Entity or any other Person, other than (a) the filing of the Certificate of Merger as required by the DGCL, (b) the filing of the Certificate of Designation for Parent Series C Preferred with the Secretary of State of the State of Delaware, (c) the approval of a majority in interest of the Parent Common Stock, (d) compliance with the applicable requirements of the Exchange Act and the Securities Act, (e) filings with the SEC as may be required by the Company in connection with this Agreement, the approval set forth in Subsection c hereof and the transactions contemplated hereby, (f) such filings as may be required under the rules and regulations of NASDAQ, and (g) where the failure to obtain such consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to any Governmental Entity or any other Person, individually or in the aggregate, has not had a Parent Material Adverse Effect.

4.5 Litigation

. There is no Action pending or, to the knowledge of Parent, threatened against or affecting Parent or the Purchaser, or any executive officer or director of Parent or the Purchaser, that, individually or in the aggregate, has had a Parent Material Adverse Effect.

4.6 Authorized Stock. The Parent Series C Preferred has the rights privileges and preferences set forth in the Certificate of Designation. The Parent's authorized capital stock consists solely of the Parent Common Stock, Parent Series A Preferred Stock and Parent Series B Preferred Stock and, upon the filing of the Certificate of Designation, the Parent Series C Preferred. The Series A Preferred Stock and Series B Preferred Stock of Parent have the rights, privileges and preferences set forth in the respective Certificates of Designation for such series. Upon the NASDAQ Approval, the Parent will have sufficient authorized shares of Parent Common Stock for issuance upon the conversion of the shares of Parent Series C Preferred and the Earn-Out Shares.

4.7 Ownership of the Purchaser; No Prior Activities. The Purchaser was formed solely for the purpose of engaging in the transactions contemplated by this Agreement. Except for obligations or liabilities incurred in connection with its incorporation or organization and the transactions contemplated by this Agreement, the Purchaser has not and will not prior to the Closing Date have incurred, directly or indirectly, through any Subsidiary or otherwise, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever or entered into any Contracts with any Person.

4.8 Brokers. Neither the Parent, the Purchaser nor any of their respective stockholders, directors, officers, employees or affiliates, has incurred or will incur on behalf of Parent, the Purchaser or any Parent Subsidiary, any brokerage, finders', advisory or similar fee in connection with the transactions contemplated by this Agreement.

4,9 SEC Reports; Financial Statements.

(a) Since May 1, 2021, the Parent has timely filed or furnished all necessary forms, reports and other documents required to be filed or furnished by it with the SEC (including any amendments thereof and the exhibits thereto and documents incorporated by reference therein, the "***SEC Reports***"), or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension, except where the failure to file on a timely basis would not have or reasonably be expected to result in a Material Adverse Effect. To the knowledge of Parent, as of each of its respective dates, each SEC Report has complied in all material respects with the requirements of the Securities Act and the Exchange Act and relevant rules of The Nasdaq Capital Market, as the case may be, and none of the SEC Reports, when filed or as of its effective dates, 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.

(b) The financial statements of the Parent included in the SEC Reports comply as to form in all material respects with the published rules and regulations of the SEC with respect thereto and all other applicable accounting requirements as in effect at the time of filing (or to the extent corrected by a subsequent restatement).

(c) Except as disclosed in SEC Reports filed prior to the date of this Agreement, from the date of the most recent consolidated balance sheet of the Parent and its subsidiaries that are disclosed in the SEC Reports through the date of this Agreement, there have been no events, occurrences or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

## ARTICLE 5
## COVENANTS

5.1 Conduct of Business by the Company Pending the Closing. The Company agrees that, between the date of this Agreement and the Effective Time, except as set forth in Section 5.1 of the Company Disclosure Schedule, as expressly required by applicable Law or as contemplated by this Agreement or otherwise with the prior written consent of Parent, the Company will (i) conduct its business only in the ordinary and usual course of business and consistent with past practice, and (ii) use its commercially reasonable efforts to keep available, in all material respects, the services of the current officers, employees and consultants of the Company and preserve, in all material respects, the goodwill and current relationships of the Company with Significant Customers, Significant Suppliers and other Persons with which the Company has significant business relationships material to the business of the Company. Without limiting the foregoing, and as an extension thereof, except as set forth in Section 5.1 of the Company Disclosure Schedule, as expressly required by applicable Law or contemplated by this Agreement, or otherwise with the prior written consent of Parent, the Company shall not, between the date of this Agreement and the Effective Time, directly or indirectly, do any of the following:

(a) amend or otherwise change its certificate of incorporation or bylaws;

(b) issue, deliver, sell, transfer, pledge, dispose of, grant a Lien or permit a Lien to exist on, or authorize, propose or agree to the issuance, delivery, sale, transfer, pledge or disposition of or granting or placing a Lien on, any shares of any class of capital stock of, or other Equity Interests in, the Company, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class of capital stock or other Equity Interests of the Company (including, for the avoidance of doubt, through the adoption of any stockholder rights plan or "poison pill" agreement), other than (i) pursuant to the requirements of Contracts of the Company as in existence on the date of this Agreement and which are set forth on Section 5.1(b)(i) of the Company Disclosure Schedule or (ii) pursuant to the vesting and/or exercise of Company Options, Restricted Shares and Company Warrants and other contractual rights that are in existence on the date hereof and in accordance with their current terms;

(c) sell, pledge, dispose of, transfer, lease, license, guarantee, encumber, abandon or permit to lapse any material property or assets (including Intellectual Property Rights) of the Company, except to grant nonexclusive licenses to customers for use of Company's products and services in the ordinary course of business consistent with past practice;

(d) declare, set aside, make or pay any dividend or other distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its capital stock or enter into any Contract with respect to the voting or registration of its capital stock;

(e) adjust, reclassify, combine, split, subdivide or amend the terms of, or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or other Equity Interests;

(f) merge or consolidate the Company with any Person or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company;

(g) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any interest or make any investment in any Person, other than acquisitions of goods and services in the ordinary course of business consistent with past practice;

(h) incur any indebtedness for borrowed money in excess of $20,000 or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for (whether directly, contingently or otherwise), the obligations of any Person for borrowed money;

(i) make any loans, advances or capital contributions to, or investments in, any other Person other than in the ordinary course of business consistent with past practice in excess of $10,000 in the aggregate;

(j) terminate, cancel, renew, or request or agree to any material change in or waiver under, any Company Material Contract, enter into any Contract that, if existing on the date hereof, would be a Company Material Contract, or amend any Contract in existence on the date hereof that, after giving effect to such amendment, would be a Company Material Contract;

(k) make or authorize any capital expenditure in excess of $10,000 individually or $20,000 in the aggregate;

(l) hire or terminate any officer or employee (except with respect to non-executive employees with aggregate annual compensation below $50,000);

(m) except as required to comply with any Law or any Benefit Plan or Benefit Agreement as in effect on the date of this Agreement, (A) pay, announce, promise or grant, whether orally or in writing, increase or establish (each, as applicable) any wages, base pay, fees, salaries, bonuses, incentives, deferred compensation, pensions, severance or termination payments, change of control or retention payments, retirement, profit-sharing, fringe benefits, equity or equity-linked awards, employee benefit plans, or any other form of compensation or benefits payable by the Company to any Participant, including without limitation, any increase or change pursuant to any Benefit Plan or Benefit Agreement, (B) adopt, establish, enter into, amend, modify or terminate any Benefit Plan, Benefit Agreement or collective bargaining, employee association, works council or similar Contract, (C) enter into any trust, annuity or insurance agreement or similar Contract or take any other action to fund or otherwise secure the payment of any compensation or benefit or (D) take any action to accelerate the time of vesting or payment of any compensation or benefit or (ii) take any action, directly or indirectly, that accelerates the vesting or accelerates the lapse of forfeiture or other restrictions on equity securities of the Company;

(n) forgive any loans to directors, officers, employees or any of their respective affiliates;

(o) pre-pay any long-term debt; or waive, release, pay, discharge or satisfy any liabilities or obligations (absolute, accrued, contingent or otherwise), except in the ordinary course of business consistent with past practice and in accordance with their terms;

(p) make any change in accounting policies, practices, principles, methods or procedures, other than as required by GAAP or by a Governmental Entity;

(q) commence, compromise, settle or agree to settle any Action (including any Action relating to this Agreement or the transactions contemplated hereby) other than those made in the ordinary course of business consistent with past practice and which involve only the payment of monetary damages not in excess of $10,000 individually or $20,000 in the aggregate, in any case without the imposition of equitable relief on, or the admission of wrongdoing by, the Company;

(r) make or change any material election with respect to Taxes; adopt or change any material accounting method with respect to Taxes; amend any United States federal or material other Tax Return; enter into any private letter ruling, closing agreement or similar ruling or Contract with the IRS or any other Tax authority; enter into any Tax allocation agreement, Tax indemnity agreement, Tax sharing agreement or similar Contract with respect to Taxes; consent to any extension or waiver of the statute of limitations period applicable to any material Tax claim or assessment; settle any Action with respect to a material amount of Taxes or forego any material Tax refund;

(s) write up, write down or write off the book value of any assets, in the aggregate, in excess of $10,000 individually or $20,000 in the aggregate, except for depreciation and amortization in accordance with GAAP consistently applied;

(t) convene any regular or special meeting (or any adjournment thereof) of the stockholders of the Company other than the Special Meeting (if such a meeting is required by applicable Law);

(u) fail to keep in force Insurance Policies or replacement or revised provisions providing insurance coverage with

respect to the assets, operations and activities of the Company as are currently in effect;

(v) make any change in its investment policies with respect to cash or marketable securities;

(w) grant to any Third Party any assignment, license, covenant not to sue, release, immunity or other right with respect to the Company Intellectual Property (other than nondisclosure agreements, end user license agreements, and terms of use entered into in the ordinary course of business on Company's applicable standard form agreement without material changes ) or acquire from a Third Party a grant of any assignment, license, covenant not to sue, release, immunity or other right with respect to Intellectual Property or Intellectual Property Rights, other than employment agreements between Company and its employees and non-exclusive, proprietary (i.e., non-Open Source), inbound Software licenses generally commercially available on commercially reasonable terms with annual license fees under $10,000 in the aggregate that do not relate to Intellectual Property or Intellectual Property Rights incorporated into any Company Offering; or

(x) authorize or enter into any Contract or otherwise make any commitment to do any of the foregoing.

5.2 Meeting of Stockholders to Approve the Merger. If approval of the stockholders of the Company is required under applicable Law to consummate the Merger, the Company shall, in accordance with and subject to the requirements of applicable Law: as promptly as practicable (i) set a record date for, call and give notice of a special meeting of its stockholders (the "Special Meeting") for the purpose of considering and taking action upon this Agreement (with the record date to be set in consultation with the Purchaser), or (ii) prepare and deliver to its stockholders a written consent in lieu of the Special Meeting pursuant to Section 228 of the DGCL and in each case use its commercially reasonable efforts to solicit from its stockholders proxies in favor of the approval of this Agreement and the Merger, and secure any approval of stockholders of the Company that is required by applicable Law to effect the Merger.

5.3 Access to Information.

(a) From the date of this Agreement until the Effective Time, the Company shall and each of its directors, officers, employees, accountants, consultants, legal counsel, advisors, agents and other representatives (collectively, "Company Representatives"), to: (i) provide to Parent and the Purchaser and their respective officers, directors, employees, accountants, consultants, legal counsel, advisors, agents and other representatives (collectively, the "Parent Representatives") access at reasonable times upon reasonable prior notice and in a manner that does not unreasonably disrupt or interfere with business operations, to the officers, employees, agents, properties, offices and other facilities of the Company and to the books and records thereof (including Tax Returns) and (ii) furnish promptly such information concerning the business, properties, offices and other facilities, Contracts, assets, liabilities, employees, officers and other aspects of the Company as Parent or the Parent Representatives may reasonably request. No investigation conducted pursuant to this Section 5.3(a) shall affect or be deemed to modify or limit any representation or warranty made by the Company in this Agreement.

5.4 No Solicitation.

(a) Except as expressly permitted by this Section 5.4, effective on the date of this Agreement, the Company shall, and shall cause each Company Representative to, (i) immediately cease and cause to be terminated any existing solicitation, encouragement, discussion or negotiation with any Third Party (other than Parent) that may be and (ii) request any such Third Party to promptly return or destroy all confidential information concerning the Company.

(b) Except as expressly permitted by this Section 5.4, the Company shall not, and shall cause each Company Representative not to, at all times from the date of this Agreement until the earlier of the Effective Time and the date, if any, on which this Agreement is terminated pursuant to Article 7, directly or indirectly: (i) solicit, initiate, or knowingly facilitate or knowingly encourage (including by providing non-public information) any inquiry, discussion, offer or request that constitutes, or would reasonably be expected to lead to, any proposal, (ii) engage in, enter into, continue or otherwise participate in any discussions or negotiations with, or furnish any non-public information relating to the Company to, or afford access to the books or records or officers of the Company to, any Third Party relating to any proposal or any proposal or offer that would reasonably be expected to lead to a proposal, (iii) approve, endorse, recommend, execute or enter into, or publicly propose to approve, endorse, recommend, execute or enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement or similar definitive Contract (other than an Acceptable Confidentiality Agreement) with respect to any proposal (an "Alternative Acquisition Agreement"), (iv) take any action to make the provisions of any Takeover Statute (including Section 203 of the DGCL) or any applicable anti-takeover provision in the Company's organizational documents inapplicable to any transactions contemplated by a proposal, (v) terminate, amend, release, modify or fail to enforce any provision of, or grant any permission, waiver or request under, any standstill, confidentiality or similar Contract entered into by the Company in respect of or in contemplation of a proposal or (vi) propose, resolve or agree to do any of the foregoing, in each case for any acquisition, sale, merger, sale of assets or Shares or other change of control of the Company.

5.5 Appropriate Action; Consents; Filings.

The Company, Stockholders and Parent shall use (and cause their respective Subsidiaries to use) their commercially reasonable efforts to (i) take, or cause to be taken, all appropriate action and do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, including those matters set forth on Section 5.5(a) of the Company Disclosure Schedule, (ii) obtain from any Governmental Entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained by Parent or the Company or any of their respective Subsidiaries, or to avoid any Action or Order by any Governmental Entity, in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, the Merger and (iii) promptly make all necessary filings, and thereafter make any other required submissions, and pay any fees due in connection therewith, with respect to this Agreement, and the Merger required under (A) the Exchange Act, the Securities Act and any other applicable securities Laws, and (B) any other applicable

Law, if any; provided, that the Company and Parent shall cooperate with each other in all respects in connection with (x) preparing and filing the Proxy or Information Statement required to be filed by Parent with the SEC and any other filings made or required to be made with the SEC and NASDAQ in connection with the Merger and the transactions contemplated thereby, (y) and determining whether any other action by or in respect of, or filing with, any Governmental Entity is required, in connection with the Merger and (z) seeking any such actions, consents, approvals or waivers or timely making any such filings. The Company and Parent shall furnish to each other all information required for any application or other filing under any applicable Law in connection with the transactions contemplated by this Agreement. The Company and Parent may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other pursuant to this Section 5.5 as "Outside Counsel Only Material." Notwithstanding anything to the contrary in this Section 5.5, materials provided to the other party or its counsel may be redacted to remove references concerning the valuation of the Company and any Company Subsidiaries. The information supplied by the Company or Stockholders in writing expressly for inclusion or incorporation by reference in any Parent Proxy or Information Statement (and any amendment thereof or supplement thereto) will not, at the dates filed with the SEC and mailed to the Parent's stockholders and at the time of any Meeting or Consent, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

(a)The Company and Parent shall give (or shall cause their respective Subsidiaries to give) any notices to Third Parties, and use, and cause their respective Subsidiaries to use, their commercially reasonable efforts to obtain any Third Party consents (i) necessary, proper or advisable to consummate the transactions contemplated by this Agreement, (ii) required to be disclosed in the Company Disclosure Schedule or (iii) required to prevent a Company Material Adverse Effect from occurring prior to or after the Effective Time; provided, however, that the Company and Parent shall coordinate and cooperate in determining whether any actions, consents, approvals or waivers are required to be obtained from parties to any Company Material Contracts in connection with the Merger and seeking any such actions, consents, approvals or waivers. In the event that either party shall fail to obtain any Third Party consent described in the first sentence of this Section 5.5(b), such party shall use commercially reasonable efforts, and shall take any such actions reasonably requested by the other party hereto, to minimize any adverse effect upon the Company and Parent, their respective Subsidiaries, and their respective businesses resulting, or which could reasonably be expected to result, after the Effective Time, from the failure to obtain such consent. Notwithstanding anything to the contrary in this Agreement, in connection with obtaining any approval or consent from any Person with respect to the Merger, (i) without the prior written consent of Parent, none of the Company shall pay or commit to pay to such Person whose approval or consent is being solicited any cash or other consideration, make any commitment or incur any liability or other obligation due to such Person and (ii) neither Parent nor the Purchaser shall be required to pay or commit to pay to such Person whose approval or consent is being solicited any cash or other consideration, make any commitment or incur any liability or other obligation.

(b) Without limiting the generality of anything contained in this Section 5.5, each party hereto shall: (i) give the other parties prompt notice of any request, inquiry, objection, charge or other Action, actual or threatened, by or before the United States Federal Trade Commission ("FTC"), the United States Department of Justice ("DOJ") or any other applicable Governmental Entity or any Third Party with respect to the Merger or any of the other transactions contemplated by this Agreement, (ii) keep the other parties informed as to the status of any such request, inquiry, objection, charge or other Action and (iii) promptly inform the other parties of any communication to or from any Governmental Entity or any Third Party regarding the Merger. Each party hereto will (i) use its commercially reasonable efforts to resolve any such request, inquiry, objection, charge or other Action, and to have vacated, lifted, reversed or overturned any Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement, which shall include litigating or contesting any such Action or Order to a final, non-appealable decision, (subject in all respects to the provisions regarding the Outside Date set forth in Section 1.1(e) and Section 7.1(k)) so as to permit consummation of the transactions contemplated by this Agreement and (ii) consult and cooperate with the other parties and consider in good faith the views of the other parties in connection with any filing, analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with the Merger or any of the other transactions contemplated by this Agreement (such cooperation shall include consultation with each other in advance of any meeting or conference with the FTC, the DOJ or any other Governmental Entity or, in connection with any Action by a Third Party, with any other Person, and to the extent permitted by the FTC, the DOJ or such other applicable Governmental Entity or other Person, providing the other party the opportunity to attend and participate in such meetings and conferences).

(c) Notwithstanding the foregoing or any other provision of this Agreement (but subject in all respects to Section 5.1), (i) nothing in this Section 5.5 shall limit a party's right to terminate this Agreement pursuant to Article 7 hereof and (ii) nothing in this Agreement shall obligate Parent, the Purchaser or any of their respective affiliates to agree to (and the Company shall not, without the prior written consent of Parent): (A) sell, hold separate or otherwise dispose of all or a portion of its business, assets or properties, or conduct its business in a specified manner, (B) pay any amounts (other than the payment of filing fees and expenses and fees of counsel), or grant any counterparty to any Contract any material accommodation, (C) limit in any manner whatsoever the ability of such entities to conduct, own, operate or control any of their respective businesses, assets or properties or of the businesses, properties or assets of the Company or (D) waive any of the conditions set forth in this Agreement.

5.6 Certain Notices. From and after the date of this Agreement until the Effective Time, each party hereto shall promptly notify the other party hereto of (a) the occurrence, or non-occurrence, of any event that would reasonably be likely to cause any condition to the obligations of any party to effect the Merger or any other transaction contemplated by this Agreement not to be satisfied or (b) the failure of the Company or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it pursuant to this Agreement which would reasonably be expected to result in any condition to the obligations of any party to effect the Merger or any other transaction contemplated by this Agreement not to be satisfied; provided, however, that the delivery of any notice pursuant to this Section 5.6 shall not cure any breach of any representation, warranty, covenant or agreement contained in this Agreement or otherwise limit or affect the remedies available hereunder to the party receiving such notice.

5.7 Public Announcements. The initial press release with respect to this Agreement, the Merger and the other transactions contemplated hereby shall be a joint release mutually agreed upon by the Company and Parent. Thereafter, none of the parties shall (and

each of the parties shall cause its representatives and affiliates, if applicable, not to) issue any press release or make any public announcement concerning this Agreement, the Merger or the other transactions contemplated hereby without obtaining the prior written consent of (a) the Company, in the event the disclosing party is Parent, the Purchaser, any of its affiliates or any Parent Representative, or (b) Parent, in the event the disclosing party is the Company, or any Company Representative, in each case, with such consent not to be unreasonably conditioned, delayed or withheld; provided, however, that (i) if a party determines, based upon advice of counsel, that a press release or public announcement is required by applicable Law or the rules or regulations of any applicable stock exchange, such party may make such press release or public announcement, in which case the disclosing party shall use its commercially reasonable efforts to provide the other parties reasonable time to comment on such release or announcement in advance of such issuance, (ii) this Section 5.7 shall terminate upon a Adverse Recommendation Change and (iii) each of the parties may make public statements in response to specific questions by the press, analysts, investors or those attending industry conferences or financial analyst conference calls, so long as any such statements are not materially inconsistent with previous press releases, public disclosures or public statements made jointly by Parent and the Company and do not reveal material, non-public information regarding the other parties, the Merger or the transactions contemplated hereby.

5.8 Indemnification of Directors and Officers.

(a) Parent and the Surviving Corporation agree that all rights of indemnification, exculpation and limitation of liabilities existing in favor of past and present directors and officers of the Company as provided in the Company Charter, the Company Bylaws or under any indemnification, employment or other similar Contracts between such past and present directors and officers of the Company and the Company, in each case as in effect on the date of this Agreement with respect to acts or omissions in their capacity as directors or officers occurring at or prior to the Effective Time, shall survive the Merger and continue in full force and effect in accordance with their respective terms (unless otherwise required by applicable Law). From and after the Effective Time, Parent shall cause the Surviving Corporation to pay and perform in a timely manner such indemnification obligations. Subject to Section 5.8(c), for a period of six years from and after the Effective Time, Parent shall cause the certificate of incorporation and bylaws of the Surviving Corporation to contain provisions no less favorable with respect to indemnification, exculpation, and advancement of expenses of directors and officers than are currently set forth in the Company Charter and the Company Bylaws (unless otherwise required by applicable Law).

(b) For a period of six years from and after the Effective Time, the Surviving Corporation/Parent shall maintain for the benefit of the Company's directors and officers, as of the Effective Time, an insurance and indemnification policy that provides coverage for events occurring prior to the Effective Time (the "D&O Insurance") that is substantially equivalent to and in any event not less favorable in the aggregate than the Company's existing policy (accurate and complete copies of which have been previously provided to Parent) or, if substantially equivalent insurance coverage is unavailable, the best available coverage; provided, however, that the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of 300% of the last annual premium paid prior to the date of this Agreement, which premium the Company represents and warrants to be as set forth on Section 5.8(b) of the Company Disclosure Schedule. The provisions of the immediately preceding sentence shall be deemed to have been satisfied if prepaid policies are obtained by Parent prior to the Effective Time, which policies provide such directors and officers with substantially equivalent coverage for an aggregate period of six years with respect to claims arising from facts or events that occurred on or before the Effective Time, including, without limitation, in respect of the transactions contemplated by this Agreement. If such prepaid policies have been obtained prior to the Effective Time, the Surviving Corporation shall maintain such policies in full force and effect, and continue to honor the obligations thereunder.

(c) In the event Parent or the Surviving Corporation (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then proper provision shall be made so that such continuing or surviving corporation or entity or transferee of such assets, as the case may be, shall assume the obligations set forth in this Section 5.8.

(d) The obligations under this Section 5.8 shall not be terminated or modified in such a manner as to adversely affect in any material respect any indemnitee to whom this Section 5.8 applies without the consent of such affected indemnitee, subject to applicable Law (it being expressly agreed that the indemnitees to whom this Section 5.8 applies shall be third party beneficiaries of this Section 5.8).

5.9 State Takeover Laws. If any Takeover Statute becomes or is deemed to be applicable to the Company, Parent or the Purchaser, the execution, delivery or performance of this Agreement, the Merger, including the acquisition of Shares pursuant thereto, or any other transaction contemplated by this Agreement, then the Company Board shall take all action necessary to render such Law inapplicable to the foregoing.

5.10 Section 16 Matters. Prior to the Effective Time, the Company Board, or an appropriate committee of non-employee directors thereof, shall adopt a resolution consistent with the interpretive guidance of the SEC so that the disposition by any officer or director of the Company who is a "covered person" of the Company for purposes of Section 16 of the Exchange Act and the rules and regulations thereunder ("Section 16") of Shares or Company Options pursuant to this Agreement, and the Merger, shall be an exempt transaction for purposes of Section 16.

5.11 Employees.

(a) Nothing in this Agreement shall restrict the right of Parent or any of its affiliates (including the Surviving Corporation) to terminate the employment of any employee after the Closing Date. The provisions of this Section 5.11 are solely for the benefit of the parties to this Agreement, and no employee or former employee of the Company or any other individual associated therewith or any Benefit Plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment or other modification of any Benefit Plan for any purpose. In addition, nothing in this Agreement shall be construed to create any right to any particular term or condition of employment or limit the right of Parent or any of its affiliates (including the

Surviving Corporation) to amend or terminate or otherwise modify any Benefit Plan following the Effective Time.

5.12 Benefit Plans. Effective as of the day prior to the Effective Time, the Company will terminate any and all Benefit Plans intended to qualify as a qualified cash or deferred arrangement under Section 401(k) of the Code, and effective as of the day immediately prior to the Effective Time no employee of the Company shall have any right thereafter to contribute any amounts to any Benefit Plan intended to qualify as a qualified cash or deferred arrangement under Section 401(k) of the Code. At the request of Parent, the Company will provide Parent with evidence that each such Benefit Plan has been terminated effective as of the day immediately prior to the Effective Time pursuant to resolutions duly adopted by the Company Board. In addition, at the request of Parent, the Company and each Company Subsidiary will terminate any and all other Benefit Plans, including any group health, dental, severance, separation or salary continuation plans, programs or arrangements, effective either the day immediately prior to the Effective Time or thereafter as specified by Parent and, at the request of Parent, the Company will provide Parent with evidence that such Benefit Plans have been so terminated pursuant to resolutions duly adopted by the Company Board. The Company also shall take such other actions in furtherance of terminating such Benefit Plans as Parent may reasonably require.

5.13 Stockholder Litigation. The Company shall control, and the Company shall give Parent the opportunity to participate in the defense of, any Action brought by stockholders of the Company against the Company and/or its directors relating to the transactions contemplated by this Agreement, including the Merger; provided, however, that the Company shall not compromise, settle, come to an arrangement regarding or agree to compromise, settle or come to an arrangement regarding any Action arising or resulting from the transactions contemplated by this Agreement, or consent to the same without the prior written consent of Parent (which consent shall not be unreasonably withheld or delayed).

5.14 Obligations of the Purchaser. Parent will take all actions necessary to cause the Purchaser to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

5.15 Escrow Agreement. At the Closing, Parent. Stockholders and the Escrow Agent shall execute and deliver an Escrow Agreement in form and substance satisfactory to Parent and Escrow Agent (the "Escrow Agreement") and a Designation of Proportionate Allocation and Distribution of Aggregate Purchase Price agreement (the "Proportionate Share Agreement") appointing George Matus as Stockholder Representative for purposes of the Escrow Agreement and designating the Merger Consideration to be deposited pursuant to Section 2.1 (e) hereof by each Stockholder to be held pursuant to the Escrow Agreement and hereunder in form and substance acceptable to Parent, Stockholders and the Escrow Agent. The Escrow Shares shall be valued at the Agreed Parent Share Price in the event claims have been asserted under Section 2.1 or Article 9 hereof.

5.16 Notice of Developments. During the period from the date of this Agreement to the Closing Date, each party will give prompt written notice after discovery thereof to the others of any material adverse development causing a breach of any of such party's representations, warranties and covenants set forth herein. No disclosure by any party pursuant to this Section 5.19, however, shall be deemed to amend or supplement the Disclosure Schedules or to prevent or cure any misrepresentation or breach of warranty.

5.17 Company Financial Statements. Within forty-five (45) days following the execution of this Agreement, the Company shall prepare and deliver to Parent US GAAP audited financial statements prepared by a PCAOB (Public Company Accounting Oversight Board) firm in such form and for such periods as is required to be filed in a Current Report on Form 8-K by Parent to be filed with the SEC following Closing (prior two full fiscal years) (the "Audited Financial Statements") as well as unaudited reviewed quarterly financial information as is required to be filed in a Current Report on form 8-K by Parent for such quarterly periods as are required to be filed. The Company shall, not later than thirty (30) days after execution of this Agreement, deliver to the Parent its opening balance sheet audited by a PCAOB firm as well as pro forma financial statements of the post-Transaction balance sheet of the Parent and Company, on a consolidated basis, and such additional information as is required by Parent.

## ARTICLE 6
## CONDITIONS TO CONSUMMATION OF THE MERGER

6.1 Conditions to Obligations of Each Party Under This Agreement. The respective obligations of each party to consummate the Merger shall be subject to the satisfaction at or prior to the Effective Time of each of the following conditions:

(a) This Agreement shall have been adopted and the Merger approved by the requisite vote or written consent of the stockholders of the Company, if required by applicable Law.

(b) The consummation of the Merger shall not then be restrained, enjoined or prohibited by any Order of a court of competent jurisdiction or any other Governmental Entity and there shall not be in effect any Law enacted, promulgated or deemed applicable to the Merger by any Governmental Entity which prevents the consummation of the Merger; provided, that prior to invoking this Section 6.1(c), each party shall use its commercially reasonable efforts to have any such Order or other legal restraint or prohibition lifted.

(c) Decathlon Capital Investments ("Decathlon") shall have entered into an Amended and Restated Revenue Loan and Security Agreement amending the Decathlon Revenue Loan and Security Agreement dated as of December 24, 2020 by and between DA4 and the Company (the "Revenue Agreement") in form and substance satisfactory to Parent and released Company from any and all obligations related thereto for the period prior to Closing. Stockholders shall have entered into Indemnification Agreements in form and substance satisfactory to Parent and Purchaser indemnifying Parent, Purchaser and Company from and against all claims, liabilities and obligations related to the Decathlon Agreement or arising from the Company's agreements with Decathlon.

## ARTICLE 7
## TERMINATION, AMENDMENT AND WAIVER

7.1 Termination. This Agreement may be terminated, and the Merger and the other transactions contemplated hereby may be abandoned by action taken or authorized by the board of directors (or appropriate committee or designee) of the terminating party or parties, whether before or after approval of the Merger by the stockholders of the Company:

(a) By mutual written consent of Parent and the Company at any time;

(b) By either the Company or Parent, provided, however, that the right to terminate the Agreement pursuant to this Section 7.1(b) shall not be available to any party whose breach of this Agreement has been the primary cause of or primarily resulted in the failure or the non-satisfaction of any condition or requirement of this Agreement or any voting agreement entered by Stockholders in connection herewith;

(c) By either the Company or Parent, if any court of competent jurisdiction or other Governmental Entity shall have issued an Order or taken any other action permanently restraining, enjoining or otherwise prohibiting (i) omitted (ii) prior to the Effective Time, the Merger, and such order, decree, ruling or other action shall have become final and nonappealable (which Order or other action the party seeking to terminate this Agreement shall have used its commercially reasonable efforts to resist, resolve or lift, as applicable, subject to the provisions of Section 5.5); provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(c) shall not be available to any party if the issuance of such final and non-appealable Order or other action was due to the failure by such party (including, in the case of Parent, the Purchaser) to perform any of its obligations under this Agreement;

(d) By Parent, at any time if: (i) there shall be an Uncured Inaccuracy in any representation or warranty of the Company contained in this Agreement or breach of any covenant of the Company contained in this Agreement, in any case, (ii) Parent shall have delivered to the Company written notice of such Uncured Inaccuracy or breach and (iii) either such Uncured Inaccuracy or breach is not capable of cure or at least 20 calendar days shall have elapsed since the date of delivery of such written notice to the Company and such Uncured Inaccuracy or breach shall not have been cured;

(e) By Parent, at any time if there has been a Company Material Adverse Effect;

or

(f) By either the Company or Parent if the closing of the Merger has not occurred by the Outside Date; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(k) shall not be available to any party whose breach of this Agreement has been the primary cause of or primarily resulted in the failure of the Merger to close by the Outside Date.

7.2 Effect of Termination.

(a) In the event of termination of this Agreement by either the Company or Parent as provided in Section 7.1, this Agreement shall become void and there shall be no liability or obligation on the part of Parent, the Purchaser or the Company or their respective Subsidiaries, officers or directors except (i) with respect to Section 5.7, and Article 8 and (ii) with respect to any liabilities or damages incurred or suffered as a result of the willful and material breach by the Company, on the one hand, or Parent or the Purchaser, on the other hand, of any of their respective representations, warranties, covenants or other agreements set forth in this Agreement.

7.3 Amendment. Subject to Section 1.3(c), this Agreement may be amended by the Company, Parent and the Purchaser by action taken by or on behalf of their respective boards of directors at any time prior to the Effective Time; provided, however, that, after approval of the Merger by the Company's stockholders, no amendment may be made which, by Law or in accordance with the rules of any relevant stock exchange, requires further approval by such stockholders. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

7.4 Waiver. Subject to Section 1.3(c), at any time prior to the Effective Time, Parent and the Purchaser, on the one hand, and the Company, on the other hand, may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive any Uncured Inaccuracies in the representations and warranties of the other contained herein or in any document delivered pursuant hereto and (iii) waive compliance by the other with any of the agreements or covenants contained herein; provided, however, that after any approval of this Agreement by the Company's stockholders, there may not be any extension or waiver of this Agreement which decreases the Merger Consideration or which adversely affects the rights of the Company's stockholders hereunder without the approval of such stockholders. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

## ARTICLE 8
## GENERAL PROVISIONS

8.1 Fees and Expenses. Subject to Section 7.2 hereof, all Expenses incurred by the parties hereto (including, without limitation, any Expenses incurred in connection with obtaining any Third Party consents or any filings to be made pursuant to (i) the Exchange Act, the Securities Act or the rules and regulations of the NASDAQ, or (ii) the DGCL or any Takeover Laws), shall be borne solely and entirely by the party which has incurred the same.

8.2 Notices. All notices and other communications required or permitted under this Agreement shall be in writing and shall be

either hand delivered in person, sent by facsimile, sent by electronic mail (if also confirmed by facsimile sent during normal business hours of the recipient, effective as of the delivery of the facsimile; if not sent via facsimile during normal business hours, then on the next Business Day), sent by certified or registered first-class mail, postage prepaid, or sent by nationally recognized express courier service. Such notices and other communications shall be effective upon receipt if hand delivered or sent by facsimile or electronic mail, three Business Days after mailing if sent by mail, and one Business Day after dispatch if sent by express courier, to the following addresses, or such other addresses as any party may notify the other parties in accordance with this Section 8.3.

If to Company, addressed to it at:

Teal Drones, Inc.
5200 S. Highland Drive
Suite 201
Holladay, UT 84117
Phone: (801)706-6385
Attention: George Matus, CEO

with a copy to (for information purposes only):

Holland and Hart, LLP
222 South Main Street
Suite 2200
Salt Lake City, UT 84101
Phone: (801) 799-5861
E-mail: JPSteele@hollandhart.com
Attention: Jeffrey Steele, Esq.

If to the Parent or Purchaser, addressed to it at:

Red Cat Holdings, Inc.
Teal Acquisition I Corp.
370 Harbour Drive
Palmas del Mar
Humacao, PR 00791
Phone: (833) 373-3228
E-mail: Jeff@redcat.red
Attention: Jeffrey Thompson, CEO

with a copy to (for information purposes only):

Law Office of Harvey Kesner
Phone: (646) 678-2543
E-mail: pdox74@gmail.com
Attention: Harvey Kesner, Esq.

8.3

8.4 Certain Definitions. For purposes of this Agreement, the term:

"Acceptable Confidentiality Agreement" means a confidentiality agreement that contains confidentiality provisions that are no less favorable in the aggregate to the Company than those contained in the Confidentiality Agreement.

"affiliate" means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first-mentioned Person.

"beneficial ownership" (and related terms such as "beneficially owned" or "beneficial owner") has the meaning set forth in Rule 13d-3 under the Exchange Act.

"Benefit Agreement" means each employment, consulting, bonus, incentive or deferred compensation, equity or equity-based compensation, noncompetition, nondisclosure, non solicitation, severance, retirement, change in control, retention, termination or other similar Contract between the Company , on the one hand, and any Participant, on the other hand.

"Benefit Plan" means each pension plan (as defined in Section 3(2) of ERISA, but whether or not subject to ERISA), post-retirement or employment health, medical, other welfare, cafeteria, disability, bonus, incentive, deferred compensation, equity or equity-based, severance, retirement, change in control, retention or termination plan, policy, program, practice, Contract and any other material plan, policy, program, practice or Contract providing compensation or other benefits to any Participant (or any dependent or beneficiary thereof), including in each case, each "employee benefit plan" as defined in Section 3(3) of ERISA, which are sponsored, maintained, contributed to or required to

be maintained or contributed to by the Company, or any Commonly Controlled Entity or under which the Company, or any Commonly Controlled Entity has any material obligation or liability, other than any Benefit Agreement.

"Business Day" has the meaning set forth in Rule 14d-1(g)(3) of the Exchange Act.

"Closing Date VWAP" means the average of the Daily VWAP for the twenty (20) trading days ending on and including the Closing Date.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"Commonly Controlled Entity" means any Person or entity that is (or at any relevant time was) treated as a single employer or under common control with the Company within the meaning of Section 414 of the Code.

"Company Intellectual Property" means any and all Intellectual Property and Intellectual Property Rights that are owned, used, held for use or practiced by the Company , including any Intellectual Property and Intellectual Property Rights incorporated into or otherwise used, held for use or practiced in connection with any Company Offerings.

"Company Intellectual Property Contracts" means the Inbound Intellectual Property Contracts and Outbound Intellectual Property Contracts.

"Company Material Adverse Effect" means any change, event, effect, occurrence, or development that, individually or in the aggregate, has had or would reasonably be expected to have a materially adverse effect on the business, results of operations, assets, liabilities or condition (financial or otherwise) of the Company, taken as a whole, except for any of the following changes, events, effects, occurrences or developments: (A) changes in general economic or political conditions or financial or securities markets in general, in each case, in the United States or elsewhere in the world, (B) changes in the principal industry in which the Company operate, (C) changes in Laws or the enforcement or interpretation thereof applicable to the Company or in GAAP or in accounting standards, (D) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any acts of war (whether or not declared), armed hostilities, sabotage or terrorism, earthquakes, hurricanes, tornados or other natural disasters or calamities, (E) the negotiation, execution, delivery, announcement or performance of this Agreement or the taking of any actions pursuant to this Agreement, including without limitation, the impact thereof on the relationships of the Company with customers, (F) any failure of the Company to meet any internal or public projections, forecasts or estimates or the issuance of revised projections that are not as optimistic as those in existence on the date hereof, (G) any changes in the market price or trading volume of shares of Company Common Stock; provided, however, that the underlying causes of such change or failure shall not be excluded by this clause (G), or (H) the suspension of trading generally on the New York Stock Exchange or the Nasdaq Stock Market, except in the case of clauses (A), (B), (C) and (D), any changes, events, effects, occurrences or developments which disproportionately affect, individually or together with other changes, events, effects, occurrences or developments, the Company when compared to other Persons operating in the principal industry in which the Company operates.

"Company Offerings" means any products or services developed, manufactured, offered, provided, sold or otherwise distributed by or for the Company, including any products or service offerings under development that form the basis, in whole or in part, of any revenue or business projection provided to Parent.

"Company Warrant" means any option or arrangement to purchase Shares that is outstanding immediately prior to the Effective Time under any of the Contracts listed in Section 3.2(b) of the Company Disclosure Schedule.

"Company-Owned Intellectual Property" means any and all Company Intellectual Property that is owned in whole or in part by the Company (or that the Company claims or purports to own in whole or in part). Company-Owned Intellectual Property includes Registered Company Intellectual Property.

"Contracts" means any of the agreements, arrangements, commitments, understandings, contracts, leases (whether for real or personal property), powers of attorney, notes, bonds, mortgages, indentures, deeds of trust, loans, evidences of indebtedness, purchase orders, letters of credit, undertakings, covenants not to compete, licenses, instruments, obligations, understandings, policies, purchase and sales orders, quotations and other commitments to which a Person is a party or to which any of the assets of such Person or its Subsidiaries are subject, whether oral or written, express or implied.

"control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of stock or as trustee or executor, by Contract or credit arrangement or otherwise.

"Copyright License" means any license that requires, as a condition of use, modification or distribution of Works of Authorship, that such Works of Authorship, or other Software or other Intellectual Property incorporated into, derived from, used, or distributed with such Works of Authorship: (i) in the case of Software, be made available or distributed in a form other than binary (e.g., source code form), (ii) be licensed for the purpose of preparing derivative works, (iii) be licensed under terms that allow the Company Offerings, Company-Owned Intellectual Property, or portions thereof or interfaces therefor to be reverse engineered, reverse assembled or disassembled (other than by operation of law) or (iv) be redistributable at no license fee.

"Copyright Materials" means any Software or other Intellectual Property subject to a Copyright License.

"Daily VWAP" means, for any trading day, the per share volume-weighted average price of the Parent Common Stock as displayed on Bloomberg, L.P. (or its equivalent successor if such service is not available) in respect of the period from the scheduled open of

trading until the scheduled close of trading of the primary trading session on such trading day on the Nasdaq Capital Market or, if unavailable, on the OTC Markets. The Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

"Environmental Claims" means all accusations, allegations, Liens, demands, Actions, or causes of action for any damage, including, without limitation, personal injury or property damage, arising out of or related to Environmental Conditions or pursuant to applicable Environmental Laws.

"Environmental Conditions" means the presence of Hazardous Substances in the environment (including natural resources, soil, surface water, ground water, any present or potential drinking water supply, subsurface strata or ambient air) relating to or arising out of the conduct of the business of the Company .

"Environmental Laws" shall mean all applicable Laws relating to pollution, protection of the environment (including without limitation ambient air, surface water, ground water, land surface, subsurface strata, wildlife, plants, or other natural resources), and/or protection of the health and safety of Persons from exposures to Hazardous Substances in the environment.

"Equity Exchange Ratio" means the quotient obtained by dividing (x) the Merger Consideration by (y) the Applicable Parent Stock Price.

"Equity Interest" means any share of capital stock, partnership, member or similar equity interests in any Person, and any securities (including debt securities) convertible into, or exchangeable or exercisable for, any such shares, capital stock, partnership, member or similar equity interests, or any options, warrants or other rights of any kind to acquire or that are linked to the value of any such shares, capital stock, partnership, member or similar equity interests or such convertible or exchangeable securities, or any other ownership interest (including, without limitation, any such interest represented by Contract right), of such Person.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder.

"Expenses" includes all out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources, experts and consultants to a party hereto and its affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated hereby, including the preparation, printing, filing and mailing of the Proxy Statement, and any solicitation of stockholder approvals and all other matters related to the transactions contemplated by this Agreement.

"GAAP" means generally accepted accounting principles as applied in the United States.

"Governmental Entity" means any nation, federal, state, provincial, county, municipal, local or foreign government, or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government.

"Hazardous Substances" shall mean all pollutants, contaminants, chemicals, wastes, and any other infectious, carcinogenic, ignitable, corrosive, reactive, toxic or otherwise hazardous substances or materials (whether solids, liquids or gases) subject to regulation, control or remediation under applicable Environmental Laws.

"Intellectual Property" means any and all: (i) technology, formulae, algorithms, procedures, processes, methods, techniques, knowhow, ideas, creations, inventions, discoveries, and improvements (whether patentable or unpatentable and whether or not reduced to practice), (ii) technical, engineering and manufacturing information and materials, (iii) specifications, designs, models, devices, prototypes, schematics and development tools, (iv) Software, websites, content, images, graphics, text, photographs, artwork, audiovisual works, sound recordings, graphs, drawings, reports, analyses, writings, and other works of authorship and copyrightable subject matter ("Works of Authorship"), (v) databases and other compilations and collections of data or information ("Databases"), (vi) trademarks, service marks, logos and design marks, trade dress, trade names, fictitious and other business names, and brand names, together with all goodwill associated with any of the foregoing ("Trademarks"), (vii) domain names, uniform resource locators and other names and locators associated with the Internet ("Domain Names"); (viii) information and materials not generally known to the public, including trade secrets and other confidential and proprietary information, such as product, marketing, servicing, financial, supplier, and personnel information, customer lists, customer contact and registration information, customer correspondence and customer purchasing histories ("Trade Secrets") and (ix) tangible embodiments of any of the foregoing, in any form or media whether or not specifically listed herein.

"Intellectual Property Rights" means any and all rights (anywhere in the world, whether statutory, common law or otherwise) relating to, arising from, or associated with Intellectual Property, including: (i) patents and patent applications, utility models and applications for utility models, inventor's certificates and applications for inventor's certificates, and invention disclosure statements ("Patents"), (ii) copyrights and all other rights with respect to Works of Authorship and all registrations thereof and applications therefor (including moral, economic and other industrial property rights, however denominated) ("Copyrights"), (iii) other rights with respect to Software, including registrations thereof and applications therefor, (iv) industrial design rights and registrations thereof and applications therefor, (v) rights with respect to Trademarks, and all registrations thereof and applications therefor, (vi) rights with respect to Domain Names, including registrations thereof and applications therefor, (vii) rights with respect to Trade Secrets, including rights to limit the use or disclosure thereof by any Person, (viii) rights with respect to Databases, including copyright registrations thereof and copyright applications therefor, (ix) publicity and privacy rights, including all rights with respect to use of a Person's name, signature, likeness, image, photograph, voice, identity, personality, and biographical and personal information and materials and (x) any rights equivalent or similar to any of the foregoing.

"IRS" means the United States Internal Revenue Service.

"knowledge" of a Person means actual knowledge, after reasonable inquiry, of any executive officer of the Person and, solely with respect to the Company, the knowledge of George Matus, or in the case of any Stockholder representation, such Stockholder.

"Law" means any international, national, provincial, federal, state, municipal and local laws, treaties, statutes, ordinances, certificates, notices, by-laws, rules, regulations, Orders, or other requirements, policies or instruments of any Governmental Entity having the force of law.

"Licensed Company Intellectual Property" means any Company Intellectual Property that is not Company-Owned Intellectual Property and is licensed to the Company.

"Lien" means any lien, mortgage, pledge, conditional or installment sale agreement, encumbrance, covenant, condition, restriction, charge, option, right of first refusal, easement, security interest, deed of trust, right-of-way, encroachment, community property interest or other claim or restriction of any nature, whether voluntarily incurred or arising by operation of law, including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset.

"on a fully diluted basis" means, as of any date, (i) the number of Shares outstanding, plus (ii) the number of Shares the Company is then required to issue pursuant to options, warrants, rights or other obligations outstanding at such date under any employee stock option or other benefit plans, warrant agreements or otherwise (assuming all options and other rights to acquire or obligations to issue such Shares are fully vested and exercisable and all Shares issuable at any time have been issued), including pursuant to the Company Stock Option Plans.

"Open Source" means any Software or other Intellectual Property that is distributed under an open source license such as (by way of example only) the GNU General Public License, GNU Lesser General Public License, Apache License, Mozilla Public License, BSD License, MIT License, Common Public License, any derivative of any of the foregoing licenses, or any other license approved as an open source license by the Open Source Initiative.

"Parent Common Stock" means shares of common stock, par value $0.0001 per share, of Parent.

"Parent Material Adverse Effect" means any change, event, development, condition, occurrence or effect that prevents or materially delays, or would reasonably be expected to materially delay, consummation of the Merger or performance by Parent or the Purchaser of any of their material obligations under this Agreement.

"Participant" means each current or former director, officer, employee or independent contractor of the Company .

"Permitted Liens" means (a) Liens for Taxes not yet due and payable or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP in the Company's financial statements, (b) Liens in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen, materialmen, construction or similar liens or encumbrances arising by operation of law, (c) with respect to Leased Real Property, Liens disclosed on existing title reports or existing surveys made available to Parent and such other non-monetary Liens, if any, which would not, individually or in the aggregate, interfere materially with the ordinary conduct of the business of the Company or would detract materially from the use, occupancy, value or marketability of title thereto, including (i) easements, encroachments and other matters not of record which would be disclosed by an accurate survey or a personal inspection of the property and (ii) title to any portion of the premises lying within the right of way or boundary of any public road or private road.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other entity or group (as defined in Section 13(d) of the Exchange Act).

"Personal Information" means information from or about an individual that is sufficient to identify such individual, including, but not limited to, an individual's: first and last name, home or other physical address; telephone number, including home telephone number and mobile telephone number, email address or other online contact information, such as a user identifier or screen name; financial account number, government-issued identifier, or persistent identifier, such as IP address or other unique identifier associated with a Person, device or web browser; list of contacts; sufficiently precise physical location; or any other information from or about an individual consumer that is combined with information from or about an individual that is sufficient to identify such individual.

"Registered Company Intellectual Property" means: (i) all Patents, registered Trademarks, applications to register Trademarks (including intent-to-use applications), registered Copyrights, applications to register Copyrights, and all Domain Names that are registered, recorded or filed by, for, or under authorization from (or in the name of) the Company and (ii) any other applications, registrations, recordings and filings by the Company (or otherwise authorized by or in the name of the Company ) with respect to any Company-Owned Intellectual Property.

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

"Software" means all (i) computer programs and other software, including software implementations of algorithms, models, and methodologies, whether in source code, object code or other form, including libraries, subroutines and other components thereof, (ii) computerized Databases, including all data and information included in such Databases, (iii) screens, user interfaces, command structures, report formats, templates, menus, buttons and icons, (iv) descriptions, flow-charts, architectures, development tools, and other materials used to

design, plan, organize and develop any of the foregoing and (v) all documentation, including development, diagnostic, support, user and training documentation related to any of the foregoing.

"Subsidiary" of Parent, the Company or any other Person means any corporation, partnership, joint venture or other legal entity of which Parent, the Company or such other Person, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, a majority of the stock or other Equity Interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, joint venture or other legal entity, or otherwise owns, directly or indirectly, such Equity Interests, that would confer control of any such corporation, partnership, joint venture or other legal entity, or any Person that would otherwise be deemed a "subsidiary" under Rule 12b-2 promulgated under the Exchange Act.

"Taxes" means any and all (i) taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity, whether disputed or not, including income, franchise, windfall or other profits, gross receipts, property, sales, use, net worth, capital stock, payroll, employment, social security, national insurance, workers' compensation, unemployment compensation, excise, withholding, ad valorem, stamp, transfer, value-added and gains tax and license, registration and documentation fees and (ii) liability for amounts described under clause (i) above under Treasury Regulation Section 1.1502-6 (or any similar provision of any applicable Law), as a result of transferee or successor liability, by Contract, by law or otherwise.

"Tax Return" means any report, return (including information return), claim for refund, election, estimated tax filing, declaration or similar statement or document relating to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

"Transfer Taxes" means all transfer, stamp, documentary and similar Taxes incurred in connection with the transfer of Shares pursuant to this Agreement and the transactions contemplated herein.

"Third Party" shall mean any Person other than Parent, the Purchaser and their respective affiliates.

"Uncured Inaccuracy" with respect to a representation or warranty of a party to the Agreement as of a particular date shall be deemed to exist only if such representation or warranty shall be inaccurate as of such date as if such representation or warranty were made as of such date, and the inaccuracy in such representation or warranty shall not have been cured since such date; provided, however, that if such representation or warranty by its terms speaks as of the date of the Agreement or as of another specific date, then there shall not be deemed to be an Uncured Inaccuracy in such representation or warranty unless such representation or warranty shall have been inaccurate as of the date of the Agreement or such other specific date, respectively, and the inaccuracy in such representation or warranty shall not have been cured since such date.

"VWAP" means the average of the Daily VWAP for the twenty (20) trading days ending on and including the date of determination.

8.5 Terms Defined Elsewhere. The following terms are defined elsewhere in this Agreement, as indicated below:

| | |
|---|---|
| "2015 Stock Option Plan" | Section 2.4(a)(iv) |
| "Action" | Section 3.15(a) |
| "Agreement" | Preamble |
| "Alternative Acquisition Agreement" | Section 5.4(b) |
| "Assumed Company Option" | Section 2.4(a)(ii) |
| "Assumed RSUs" | Section 2.4(b)(ii) |
| "Book-Entry Shares" | Section 2.2(b) |
| "Breakup Fee" | Section 7.2(b) |
| "Certificate of Merger" | Section 1.5 |
| "Certificates" | Section 2.2(b) |
| "Closing" | Section 1.5 |
| "Closing Date" | Section 1.5 |
| "Company" | Preamble |
| "Company Board" | Recitals |
| "Company Board Recommendation" | Recitals |

| | |
|---|---|
| "Company Bylaws" | Section 3.1(b) |
| "Company Charter" | Section 3.1(b) |
| "Company Common Stock" | Section 3.2(a) |
| "Company Compensation Arrangement" | Section 3.13(g) |
| "Company Disclosure Schedule" | Article 3 |
| "Company Financial Advisor" | Section 3.23 |
| "Company Material Contract" | Section 3.14(b) |
| "Company Option" | Section 2.4(a)(i) |
| "Company Permits" | Section 3.6(a) |
| "Company Personnel" | Section 3.17(k) |
| "Company Preferred Stock" | Section 3.2(a) |
| "Company Representatives" | Section 5.3(a) |
| "Company RSU" | Section 2.4(b)(ii) |
| "Company Stock Option Plans" | Section 2.4(a)(i) |
| "Company Stockholder Approval" | Section 3.26 |
| "Confidentiality Agreement" | Section 5.3(b) |
| "Contaminants" | Section 3.17(s) |
| "Continuing Directors" | Section 1.3(a) |
| "Continuing Employees" | Section 5.11(a) |
| "Dissenting Shares" | Section 2.3 |
| "DGCL" | Recitals |
| "DOJ" | Section 5.5(c) |
| "D&O Insurance" | Section 5.8(c) |
| "Effective Time" | Section 1.5 |
| "Employment Compensation Arrangement" | Section 3.13(g) |
| "Exchange Act" | Section 1.1(a) |
| "Expiration Date" | Section 1.1(d) |
| "Export Approvals" | Section 3.29(a) |
| "Fairness Opinion" | Section 3.23 |
| "FTC" | Section 5.5(c) |
| "Grant Date" | Section 3.2(c) |
| "Inbound Intellectual Property Contracts" | Section 3.17(b) |
| "Inclusive Companies" | Section 3.16 |
| "Independent Directors" | Section 1.3(c) |
| "Initial Expiration Date" | Section 1.1(d) |
| "Insurance Policies" | Section 3.20 |

| | |
|---|---|
| "Key Employee" | Recitals |
| "Lease Agreements" | Section 3.14(a) |
| "Leased Real Property" | Section 3.22 |
| "Merger" | Recitals |
| "Merger Agreement" | Annex I |
| "Merger Consideration" | Section 2.1(a) |
| "Minimum Condition" | Section 1.1(a) |
| "NASDAQ" | Section 1.3(a) |
| "Non-Competition Agreement" | Recitals |
| "Non-Personal Information" | Section 3.18(a) |
| "Option Payments" | Section 2.4(a)(i) |
| "Order" | Section 3.15(b) |
| "Outbound Intellectual Property Contracts" | Section 3.17(b) |
| "Outside Date" | Section 1.1(e) |
| "Parent" | Preamble |
| "Parent Representatives" | Section 5.3(a) |
| "Parent Subsidiary" | Section 4.3 |
| "Privacy Policies" | Section 3.18(a) |
| "Promissory Note" | Section 1.7(a) |
| "Proxy Statement" | Section 5.2(a) |
| "Purchaser" | Preamble |
| "Purchaser Common Stock" | Section 2.1(c) |
| "Required Third-Party Consents" | Annex I |
| "Required Governmental Approval" | Annex I |
| "Restricted Share" | Section 2.4(b)(i) |
| "Sarbanes-Oxley Act" | Section 3.7(a) |
| "SEC" | Section 1.1(e) |
| "Section 16" | Section 5.10 |
| "Shares" | Recitals |
| "Significant Customer" | Section 3.14(e) |
| "Significant Supplier" | Section 3.14(f) |
| "Special Meeting" | Section 5.2(b) |
| "Surviving Corporation" | Section 1.4(a) |
| "Takeover Statutes" | Section 3.3(b) |
| "Unscheduled Inbound IP Contracts" | Section 3.17(e) |
| "Unscheduled Outbound IP Contracts" | Section 3.17(e) |

8.6 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8.7 Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

8.8 Entire Agreement. This Agreement, together with the Exhibits, the Company Disclosure Schedule and the other documents delivered pursuant to this Agreement, constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and thereof, including, without limitation, the Original Agreement.

8.9 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties (whether by operation of law or otherwise) without the prior written consent of the other parties and any assignment without such prior written consent shall be null and void.

8.10 No Third-Party Beneficiaries. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns, and nothing in this Agreement, express or implied, other than pursuant to Section 5.8, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement (including the right to rely upon the representations and warranties set forth herein).

8.11 Mutual Drafting; Interpretation. Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision. For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa, the masculine gender shall include the feminine and neuter genders, the feminine gender shall include the masculine and neuter genders and the neuter gender shall include masculine and feminine genders. As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation." Except as otherwise indicated, all references in this Agreement to "Articles," "Sections," "Exhibits," "Annexes" and "Schedules" are intended to refer to Articles and Sections of this Agreement and Exhibits, Annexes and Schedules to this Agreement. The schedules and exhibits attached to this Agreement constitute a part of this Agreement and are incorporated herein for all purposes. The words "hereof," "hereto," "hereby," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular section or article in which such words appear. All references in this Agreement to "$" are references to United States dollars. Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. To the extent this Agreement refers to information or documents to be delivered, provided or made available to Parent or the Purchaser, the Company shall be deemed to have satisfied such obligation if the Company has delivered, provided or made available such information or document to Parent in the online data room managed by the Company in connection with the transactions contemplated by this Agreement at least one (1) calendar day prior to the date hereof.

8.12 Governing Law; Consent to Jurisdiction; Enforcement; Waiver of Trial by Jury.

(a) This Agreement and all claims and causes of action arising out of, based upon, or related to this Agreement or the negotiation, execution or performance hereof, shall be governed by and construed, interpreted and enforced in accordance with, the Laws of the State of New York (without regard to Laws that may be applicable under conflicts of Laws principles, whether of the State of New York or any other jurisdiction).

(b) Any action, claim, suit or proceeding between the parties hereto arising out of, based upon or relating to this Agreement or the transactions contemplated hereby shall be brought solely in the state or federal court of the County of New York, State of New York and any state appellate court therefrom within the State of New York (or, if the Court of the State of New York declines to accept jurisdiction over a particular matter, any state or federal court within the State of New York, and any direct appellate court therefrom). Each party hereby irrevocably submits to the exclusive jurisdiction of such courts in respect of any such action, claim, suit or proceeding and agrees that it will not bring any such action, claim, suit or proceeding in any other court. Furthermore, each party hereby irrevocably waives and agrees not to assert as a defense, counterclaim or otherwise, in any such action, claim, suit or proceeding, (i) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve process in accordance with Section 8.3, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) to the fullest extent permitted by applicable Law, any claim that (A) the action, claim, suit or proceeding in such court is brought in an inconvenient forum, (B) the venue of the action, claim, suit or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. Each party agrees that notice or the service of process in any action, claim, suit or proceeding arising out of, based upon or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered in the manner contemplated by Section 8.2 or in such other manner as may be permitted by applicable Law.

(c) EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY AND ALL RIGHT SUCH PARTY MAY HAVE TO TRIAL BY JURY IN ANY LEGAL ACTION, SUIT OR

PROCEEDING BETWEEN THE PARTIES HERETO ARISING OUT OF, BASED UPON OR RELATING TO THIS AGREEMENT OR THE NEGOTIATION, EXECUTION OR PERFORMANCE HEREOF. EACH OF THE PARTIES (A) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.12(c).

(d) This Agreement may be executed in one or more counterparts (including via facsimile, .pdf or other electronic means), and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

(e) The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the state or federal Court of the State of New York, County of New York and any state appellate court therefrom within the State of New York (or, if the Court of the State of New York declines to accept jurisdiction over a particular matter, any state or federal court within the State of New York) and any such injunction shall be in addition to any other remedy to which any party is entitled, at law or in equity. In connection with any action for specific performance, each party hereby irrevocably waives any requirement for the securing or posting of any bond in connection with the remedies referred to in this Section 8.12.

## ARTICLE 9
## SURVIVAL; INDEMNIFICATION

9.1 Survival of the Representations and Warranties. The representations and warranties and indemnification obligations of Stockholders and Company shall survive the Closing Date until the eighteen (18) months anniversary of the Closing Date; provided, however, that (i) the representations in Section 3.1 (Organization and Qualification; No Subsidiaries), Section 3,3 (Authority), Section 3.5 (Required Filings and Consents), Section 3.2 (Capitalization), Section 3.6 (Permits: Compliance With Law); Section 3.4 (No Conflict) (together, the "Indefinite Representations") shall survive indefinitely and (ii) the representations and warranties set forth in Section 3.9 (Absence of Undisclosed Liabilities), and Section 3.19 (Tax Matters) shall survive the Closing Date until the expiration of the period specified in the applicable statute of limitations (the "SOL Representations" and, together with the Indefinite Representations, the "Fundamental Representations").

9.2 Indemnification.

(a) Indemnification by the Stockholders. Each Stockholder agrees (i) severally and not jointly, to defend, indemnify and hold harmless Parent and the Surviving Company and its Affiliates and their respective Affiliates, directors, officers, employees and agents (together, the "Parent Indemnified Parties") from, against and in respect of, the full amount of:

(A) any and all Indemnified Losses arising from or in connection with any breach or violation of any of the representations and warranties of the Company contained in this Agreement or (B) any and all Indemnified Losses arising from or in connection with any breach or violation of the covenants or agreements of the Company contained in this Agreement;

(B) any and all Indemnified Losses related to or arising from any products delivered by the Company prior to the Closing Date, including without limitation, Indemnified Losses for product recalls, product defects, warranty claims, personal injury or death (which shall exclude any claims which have specifically been reserved or allowed for in sufficient amounts to fully cover the Indemnified Loss prior to the Closing Date);

(C) any and all Indemnified Losses which relate to any legal and/or governmental proceedings which are not set forth on the Disclosure Schedules, existing on or prior to the Closing Date, and/or which are brought after the Closing Date for acts and omissions of the Company, which occurred prior to the Closing Date; and

(ii) severally and not jointly, to defend, indemnify and hold harmless the Parent Indemnified Parties from, against and in respect of, the full amount of:

(A) any and all Indemnified Losses arising from or in connection with any breach or violation of any of the representations and warranties of such Stockholder contained in this Agreement or (B) any and all Indemnified Losses arising from or in connection with any breach or violation of the covenants or agreements of such Stockholder contained in this Agreement; and

(B) any and all capital or other taxes related to or arising from the sale and transfer of the Shares owned by such Stockholder contemplated hereby by reason of any Liability of for such taxes as assessed by any taxing authority either before or after the Closing Date.

(b) Indemnification by the Surviving Corporation. Surviving Corporation agrees to defend, indemnify and hold harmless the Stockholders and their Affiliates and their respective directors, officers, employees and agents from, against and in respect of, the full amount of:

(i) any and all Indemnified Losses arising from or in connection with any breach or violation of any of the representations or warranties of Purchaser or Parent contained in this Agreement, and

(ii) any and all Indemnified Losses arising from or in connection with any breach or violation of any of the covenants or

agreements of Purchaser or Parent contained in this Agreement.

(c) Indemnification Procedure. Any party seeking indemnification under this Agreement (the "Indemnified Party") will give prompt written notice to the party or parties against whom indemnity is sought (the "Indemnifying Party") of any Indemnified Losses which it discovers or of which it receives notice after the Closing, stating the nature, basis (including the section of this Agreement that has been or will be breached, if any, and the facts giving rise to the claim that a breach has or will occur), and (to the extent known) amount thereof; provided, however, that no delay on the part of Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any liability hereunder unless (and then solely to the extent) the Indemnifying Party is prejudiced by such delay.

(d) Indemnification Procedure as to Third Party Claims.

(i) Promptly after any Indemnified Party obtains knowledge of the commencement of any third party claim, action, suit or proceeding or of the occurrence of any event or the existence of any state of facts which may become the basis of a third party claim (any such claim, action, suit or proceeding or event or state of facts being hereinafter referred to in this Section as a "Claim"), in respect of which an Indemnified Party is entitled to indemnification under this Agreement, such Indemnified Party shall promptly notify the Indemnifying Party of such Claim in writing; provided, however, that any failure to give notice (A) will not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced thereby and (B) will not relieve the Indemnifying Party of its obligations as hereinafter provided in this Section 9.2 after such notice is given. With respect to any Claim as to which such notice is given by the Indemnified Party to the Indemnifying Party, the Indemnifying Party will, subject to the provisions of Section 9.2(d)(ii), assume the defense or otherwise settle such Claim with counsel reasonably satisfactory to the Indemnified Party and experienced in the conduct of Claims of that nature at the Indemnifying Party's sole risk and expense, provided, however, that the Indemnified Party (1) shall be permitted to join the defense and settlement of such Claim and to employ counsel reasonably satisfactory to the Indemnifying Party, and at the Indemnified Party's own expense, (2) shall cooperate fully with the Indemnifying Party in the defense and any settlement of such Claim in any manner reasonably requested by the Indemnifying Party; and (3) shall not compromise or settle any such Claim without the prior written approval of the Indemnifying Party;

(ii) If (A) the Indemnifying Party fails to assume the defense of such Claim or, having assumed the defense and settlement of such Claim, fails reasonably to contest such Claim in good faith, or (B) the remedy sought by the claimant with respect to such Claim is not solely for money damages, the Indemnified Party, without waiving its right to indemnification, may, but is not required to, assume the defense and settlement of such Claim, provided, however, that (1) the Indemnifying Party shall be permitted to join in the defense and settlement of such Claim and to employ counsel at its own expense, (2) the Indemnifying Party shall cooperate with the Indemnified Party in the defense and settlement of such Claim in any manner reasonably requested by the Indemnified Party, and (3) the Indemnified Party shall not settle such Claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed

As used in this Section 9.2, the terms Indemnified Party and/or Indemnifying Party shall be deemed to include the plural thereof where the rights or obligations of more than one Indemnified Party and/or Indemnifying Party may be involved.

(e) Tax-Free Indemnification Payments. All sums payable by an Indemnifying Party as indemnification under this Section 9.2 shall be paid free and clear of all deductions or withholdings (including any taxes or governmental charges of any nature) unless the deduction or withholding is required by law.

(g) Construction of Representations and Warranties. For purposes of calculating Indemnified Losses, each of the representations and warranties that contains any qualifications as to materiality or Material Adverse Effect or similar language shall be deemed to have been given as though there were no such qualifications for the purpose of determining the amount of Indemnifiable Losses resulting from the breach of such representation and warranty, and any such qualifications shall be disregarded for such purpose of this Article 9.

9.3 Limitations on Liabilities.

Notwithstanding anything to the contrary contained herein, (i) other than with respect to a breach of a Fundamental Representation, no party shall be obligated to indemnify and hold harmless any other under Section 9.2 for breaches of representations and warranties unless and until all Indemnified Losses in respect of which such party is obligated to provide indemnification exceed Fifty Thousand Dollars (US$50,000) (the "Basket Amount") following which (subject to the provisions of this Section 9.3) such party shall be obligated to indemnify and hold harmless, the other party for all such Indemnified Losses in excess of the Basket Amount; provided however that the Basket Amount shall not apply to indemnity obligations for Indemnified Losses arising as a result of fraud. In addition, no individual claim for Indemnified Loss shall count toward the Basket Amount unless it exceeds ten thousand dollars ($10,000) ("De Minimus Amount"), following which the full amount of such individual claim for Indemnified Loss shall be aggregated together with other claims for Indemnified Losses exceeding the De Minimus Amount for purposes of calculating the Basket Amount. (ii) other than with respect to breaches of a Fundamental Representations, fraud, gross negligence and willful misconduct, the Stockholders shall not be obligated to indemnify and hold harmless the Purchaser Indemnified Parties under Section 9.2 for breaches of representations and warranties in an amount in excess of the Escrow Shares; and (iii) each Stockholder's maximum liability for indemnification of Purchaser Indemnified Parties hereunder for breaches of representations and warranties shall not exceed such Stockholder's pro rata amount of the Merger Consideration actually received by such Stockholder.

(a) Notwithstanding anything to the contrary set forth herein, none of the limitations on indemnification set forth in this Section 9.3 shall apply to matters relating to intentional or fraudulent breaches or violations.

(b) Each party waives on behalf of itself and the other Indemnified Parties claiming through such parties, any right to multiply actual damages or to recover consequential, indirect, special, punitive or exemplary damages (including, without limitation, damages for lost

profits or loss of business opportunity) arising in connection with or with respect to the indemnification provisions hereof.

(c) Each Indemnified Party entitled to indemnification hereunder shall take reasonable steps to mitigate all losses, costs, expenses and damages after becoming aware of any event which could reasonably be expected to give rise to any Losses that are indemnifiable or recoverable hereunder.

9.4 Insurance Benefits. The amount of Indemnified Losses recoverable by any Indemnified Party under this Agreement with respect to an indemnity claim shall be reduced by the amount of any payment actually received by or on behalf of any Indemnified Party from any insurance policy net of any deductibles or other reasonable amounts payable with respect thereto.

9.5 Tax Benefits. The amount of Indemnified Losses recoverable by any indemnified party shall be reduced by the amount of any tax benefit realized by the indemnified party in the form of a refund or reduction in taxes payable as a result of such Indemnified Losses.

9.6 Exclusive Remedy. The indemnification rights provided in this Article 9 and Parent and Surviving Corporations rights pursuant to Section 9.2 shall be the sole and exclusive remedy available to Parent Indemnified Parties and each of them for any Indemnified Losses related to a breach of any of the terms, conditions, covenants, agreements, representations or warranties contained herein or in any other agreement, certificate, instrument or document or any right, claim or action arising from the transactions contemplated hereunder or thereunder, and each such party hereby waives, to the fullest extent permitted by applicable Laws, any other rights or remedies that may arise under any applicable Laws; provided, that this exclusive remedy for damages shall not preclude any Party from bringing an action for specific performance, injunctive relief or any other equitable remedy to require a Party to perform its obligations under this Agreement.

[*signature page follows*]

IN WITNESS WHEREOF, Parent, the Purchaser and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**RED CAT HOLDINGS, INC.**

By: _____
Name: Jeffrey Thompson
Title: Chief Executive Officer

**TEAL ACQUISITION I CORP.**

By: _____
Name: Jeffrey Thompson
Title: Chief Executive Officer

**TEAL DRONES, INC.**

By: _____
Name: George Matus
Title: Chief Executive Officer

**SCHEDULES TO AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER**, dated as of August 31, 2021 (this "Agreement"), by and among Red Cat Holdings, Inc., a Nevada corporation (the "Parent"), Teal Acquisition I Corp., a Delaware corporation and a wholly-owned subsidiary of Parent (the "Purchaser") and Teal Drones, Inc., a Delaware corporation (the " Company") and the undersigned shareholders of the Company (collectively, the **"**Stockholders**"**).

Schedule 2.1(b) – See Designation of Proportionate Allocation And Distribution of Aggregate Purchase Price Executed in connection herewith.

Schedule 2.2 – See Designation of Proportionate Allocation And Distribution of Aggregate Purchase Price Executed in connection herewith.

# AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (as amended from time to time, this "**Agreement**") is made as of August 31, 2021 (the "**Effective Date**"), by and among:

TEAL DRONES, INC., a Delaware corporation,
5200 S Highland Dr, Suite 201
Holladay, UT 84117
("**Company**"),

and

DECATHLON ALPHA IV, L.P., a Delaware limited partnership,
1441 West Ute Boulevard, Suite 240
Park City, UT 84098
("**Lender**").

## BACKGROUND

WHEREAS, Company and Lender entered into that certain Revenue Loan and Security Agreement dated December 24, 2020 (the "**RLSA**"), by and among Company, Lender, and George Matus, pursuant to which Lender advanced to Company an amount equal to $2,000,000 pursuant to the terms thereof;

WHEREAS, Company entered into that certain Agreement and Plan of Merger dated July 13, 2021, as amended pursuant to the First Amendment to Agreement and Plan of Merger dated August 17, 2021, which was amended and restated pursuant to that certain Amended and Restated Agreement and Plan of Merger dated August 31, 2021 (as amended and restated, the "**Merger Agreement**"), by and among Red Cat Holdings, Inc., a Nevada corporation ("**Red Cat**"), Teal Acquisition I Corp., a Delaware corporation ("**Merger Sub**"), Company, and the other parties named therein, pursuant to which Red Cat agreed to acquire Company by effecting a merger whereby Merger Sub would merge with and into Company in accordance with the Merger Agreement and the Delaware General Corporation Law (the "**Merger**"), and upon consummation of the Merger, Merger Sub will cease to exist, and Company will become a wholly owned Subsidiary of Red Cat, Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement;

WHEREAS, pursuant to that certain Share Issuance Agreement dated as of August 31, 2021, by and among Company, Lender, and the other parties thereto, Lender agreed to reduce the outstanding Obligations under the RLSA (as defined therein) by $2,000,000 (the "**Equity Value**") in exchange for shares of Parent Common Stock of Red Cat issuable to the stockholders of Company upon consummation of the Merger with an aggregate value equal to the Equity Value as of the Closing of the Merger and to simultaneously amend and restate the RLSA as set forth in this Agreement for a fixed loan amount such that Company shall be obligated to Lender (after deducting the Equity Value) for a fixed principal amount equal to $1,670,294.29 (the "**Principal Amount**"), on the terms and subject to the conditions set forth herein; and

WHEREAS, in connection with the Closing of the Merger and upon the effective time thereof, Red Cat will execute a joinder to this Agreement in the form attached hereto as Exhibit A, at which time, Red Cat will be considered a "**Guarantor**" (and together with Company, the "**Company Entities**") including with respect to Section 2.5 hereof.

## AGREEMENT

The parties hereby agree as follows:

## ARTICLE 1
## DEFINITIONS AND ACCOUNTING PRINCIPLES

**1.1 Definitions**. Capitalized words and phrases used in this Agreement but not otherwise defined herein have the definitions given in Article 11.

**1.2 Accounting Principles**. The character or amount of any asset, liability, capital account or reserve and of any item of income or expense required to be determined pursuant to this Agreement, and any consolidation or other accounting computation required to be made pursuant to this Agreement, and the construction of any definition in this Agreement containing a financial term, will be determined or made, as the case may be, in accordance with United States generally accepted accounting principles ("**GAAP**"), to the extent applicable, unless such principles are inconsistent with the express requirements of this Agreement.

## ARTICLE 2
## CONVERSION, LOAN, INTEREST, AND PAYMENTS

**2.1 Loan**. Upon the terms and subject to the conditions of this Agreement:

**(a) Existing Debt**. As of the date hereof, the remaining portion of the Obligations after deducting the Equity Value is deemed to be a term loan in an amount equal to the Principal Amount (the "**Loan**").

**(b) Loan Previously Advanced**. Company acknowledges that the Loan has previously been fully advanced by Lender, and that Lender has no obligations to make any advance to Company under this Agreement.

**(c) Not a Revolving Facility**. Company acknowledges and agrees that the credit facility granted hereunder is a multiple advance facility, but is not a revolving facility, and Company may not borrow, repay and re-borrow the Principal Amount.

**2.2 Interest**. Interest on the Loan shall accrue from and after the date of Closing at a rate of 10.0% per annum (the " **Interest**").

**2.3 Promise to Pay**. Company promises to pay to the order of Lender in lawful money of the United States of America, for application against the Restated Obligations (with all payments to be applied first to fees and expenses incurred by Lender payable by Company, if any, then to accrued interest, and finally to principal, which Lender shall enter in its records of payments made by Company):

**(a) Monthly Payments**. Commencing on the Payment Commencement Date and continuing thereafter until maturity or earlier prepayment in full, Company shall pay to Lender, on the 15th day of each month (or the next business day if such date is not a business day) (each a "**Payment Date**"), by wire transfer or Automated Clearing House (ACH) transfer to the Lender Account described on Schedule 2.4(b)(1) an amount equal to $49,275.00. If any payment due pursuant to this Agreement is not paid when due, then Lender will promptly notify the Company will and Company will have the right to cure such payment in accordance with the provisions of Section 7.1 hereof, and if uncured, Company will be assessed, automatically and without notice from Lender, a service fee of $500 payable to Lender. All service fees for missed payments, unless cured as provided herein, are due on the day they arise. Successive service fees will be assessed and due on the 15th day of each month until Company has paid such past due amounts. All service fees will bear interest at the rate set forth in Section 12.7 from the date they arise.

**(b) Maturity**. All unpaid amount of Restated Obligations will be immediately due in full on the Maturity Date and will be payable on demand any time thereafter.

**(c) Prepayment**. Company may at its option prepay the unpaid amount of Principal and Interest on the Loan and terminate the Loan at any time (provided all other outstanding Restated Obligations of Company have been paid in full); *provided* that Company shall pay a prepayment premium to Lender equal to $300,705.71 *less* the aggregate Interest paid prior to such prepayment.

**2.4 Security Interest**. Company hereby assigns and grants to Lender, a continuing security interest in all of its right, title and interest in and to the Collateral. Upon indefeasible payment in full of the Restated Obligations, Lender shall promptly release such security interest. Company hereby authorizes Lender to take all such actions as are reasonably necessary to, in Lender's sole discretion, perfect its security interest in the Collateral, including the filing of such financing statements and amendments and continuations thereof as may be useful in order to perfect such security interest and, if any Collateral is covered by a certificate of title, Company will from time to time upon request of Lender execute such documents as may be required to have such security interest properly noted on a certificate of title. In addition, Company authorizes Lender to file, from time to time, (and reaffirms its authorization of the filing of any financing statements filed prior to the date of this Agreement) such financing statements against the Collateral described as "all assets" or the like as Lender reasonably deems necessary or useful to perfect such security interest.

**2.5 Guaranty and Security Interest.** Each Guarantor, jointly and severally with each other Guarantor, hereby irrevocably, unconditionally and absolutely guarantees the punctual payment in full when due and the performance of the Restated Obligations, in accordance with the terms of this Agreement (with respect to each individual Guarantor, the "**Guaranty**"). Subject to the foregoing, each Guarantor hereby further agrees that if Company fails to pay in full when due (whether at stated maturity, by acceleration or otherwise) all or any part of the Restated Obligations, each Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any Restated Obligations, it will promptly pay the same in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of that extension or renewal. Each Guaranty is a continuing guaranty and shall apply to each Guarantor and all Restated Obligations whenever arising and regardless of any intermediate payment or discharge in part thereof. As security for the performance of each Guarantor's Guaranty obligations, each Guarantor hereby assigns and grants to Lender a continuing security interest in all of its right, title and interest in and to the Collateral of such Guarantor (in each case, substituting the name of the applicable Guarantor for the "Company" on Schedule 11.1) subject to the same rights and obligations as set forth in Section 2.5.

**2.6 Revival and Reinstatement of Indebtedness**. If the payment of all or any part of the Restated Obligations by Company or the transfer to Lender of any Collateral or other property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights (a "**Voidable Transfer**"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the advice of its counsel, then the amount of such Voidable Transfer or the amount of such Voidable Transfer that Lender is required or elects to repay or restore, including all reasonable costs, expenses and attorneys' fees incurred by Lender in connection therewith, and the Restated Obligations shall automatically be revived, reinstated and restored by such amount and shall exist as though such Voidable Transfer had never been made.

## ARTICLE 3
## REPRESENTATIONS AND WARRANTIES

**3.1 Representations and Warranties of the Company Entities**. As a material inducement to Lender to enter into this Agreement, each Company Entity, jointly and severally, represents and warrants to Lender as follows:

**(a) Organization, Good Standing and Qualification**. Each Company Entity is duly organized, validly existing and in good standing under the laws of the state of its organization. Each Company Entity is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. Each Company Entity has all required corporate power and authority necessary to own and operate its properties, to carry on its business as now conducted and presently proposed to be conducted and to carry out the transactions contemplated by this Agreement. The Company has delivered or caused to be delivered or made available to Lender accurate and complete copies of the currently effective certificate of incorporation of the Company (the "**Company Charter**") and bylaws of the Company (the "**Company Bylaws**"), and the certificate of incorporation and bylaws, or equivalent organizational or governing documents, of each other Company Entity. The Company is not in violation of the Company Charter or Company Bylaws, and no other Company Entity is in violation of their respective organizational or governing documents.

**(b) Reserved**.

**(c) Authorization**. All action necessary on the part of each Company Entity, its officers, directors, managers and members, for the authorization, execution and delivery of the Transaction Documents, the performance of all Restated Obligations of such Company Entity hereunder and thereunder has been taken or will be taken prior to the Closing. The Transaction Documents and all other agreements contemplated thereby to which a Company Entity is a party constitute valid and legally binding obligations of such Company Entity, enforceable in accordance

with their respective terms, except (i) as limited by 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) to the extent the indemnification provisions may be limited by applicable laws.

**(d) Compliance with Other Instruments**. No Company Entity is: (i) in violation of or default under any provision of its organizational documents, as amended, (ii) to its knowledge in violation of or default under, in any Material respect, any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, or (iii) to its knowledge in violation of or default under, in any Material respect, any provision of any federal or state statute, rule or regulation applicable to such Company Entity. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby will not result in any such violation, or be in Material conflict with or constitute, with or without the passage of time and giving of notice, either a Material default under any such provision, instrument, judgment, order, writ, decree or contract or an event that results in the creation of any lien, charge or encumbrance upon any assets of a Company Entity or the suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, authorization or approval applicable to a Company Entity, its business or operations or any of its assets or properties, other than the security interests arising under the Transaction Documents.

**(e) Reserved**.

**(f) Tax Returns; Taxes**. (i) Each Company Entity has timely filed all returns, declarations, reports, estimates, information returns, and statements, including any schedules and amendments to such documents ("**Returns**"), required to be filed or sent by it in respect of any Taxes or required to be filed or sent by it by any taxing authority having jurisdiction; (ii) all such Returns are complete and accurate in all material respects; (iii) each Company Entity has timely and properly paid all Taxes required to be paid by it; and (iv) each Company Entity has complied with all applicable laws, rules, and regulations relating to the collection or withholding of Taxes from third parties and the payment thereof; (v) there are no liens for Taxes upon any assets of any Company Entity; (vi) no deficiency for any Taxes has been asserted, assessed or proposed in writing against any Company Entity that has not been resolved and paid in full or is not being contested in good faith; (vii) no waiver, extension or comparable consent given by any Company Entity regarding the application of the statute of limitations with respect to any Taxes or Returns is outstanding, nor is any request for any such waiver or consent pending; and (viii) there has been no Tax audit or other administrative proceeding or court proceeding with regard to any Taxes or Returns, nor is any such Tax audit or other proceeding pending, nor has there been any notice to any Company Entity by any taxing authority regarding any such Tax audit or other proceeding.

**(g) Compliance with Laws**. Each Company Entity, the operation of its business and all premises controlled by such Company Entity is in Material compliance with all applicable laws and orders or directives of any governmental authorities having jurisdiction over such Company Entity, its properties or operations, except where the failure to comply could not reasonably be expected to have a Material Adverse Effect. No Company Entity has received any citation, directive, letter or other communication (whether oral or written) or any notice of any proceeding, claim, lawsuit or investigation, from any Person arising out of such Company Entity's ownership or occupation of its premises or the conduct of its operations.

**(h) Disclosure**. Each Company Entity has provided Lender with all the information available to it that Lender has requested for deciding whether to enter into this Agreement, including for purposes of the representations and warranties made herein, Lender acknowledges the information filed with the United States Securities and Exchange Commission EDGAR filing service by Red Cat at www.sec.gov (the "**SEC Filings**"). To each Company Entity's knowledge, neither this Agreement (including all the exhibits attached hereto) nor any certificates delivered in connection herewith contains any untrue statement of a Material fact or omits to state a Material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they were made.

**(i) Title to Property and Assets**. The property and assets owned by a Company Entity are owned solely by such Company Entity free and clear of all mortgages, liens, loans and encumbrances, other than the liens, loans and encumbrances pursuant to the Transaction Documents and as otherwise disclosed in the SEC Filings. With respect to a Company Entity's leased property and assets, such Company Entity is in compliance with the applicable leases in all Material respects and, to such Company Entity's knowledge, it holds valid leasehold rights in and to such leased property and assets. There are no financing statements reflecting the perfection of any security interest in favor of any creditor other than Lender covering all or any part of any Company Entity's assets in existence or on file in any public office other than those representing the Permitted Liens.

**(j) Name and Location of Company**. Each Company Entity has provided to Lender in writing its legal name, state of organization, entity type, and chief executive office address. Company maintains all of its books and records regarding its assets at its chief executive office. Each Company Entity has such business and financial experience as is necessary to enable it to protect its interests in connection with the transactions contemplated by this Agreement.

**(k) Collateral**. Each Company Entity has full corporate power and authority to create a first-priority lien on the Collateral pursuant to this Agreement and no contractual obligation exists that would prohibit any Company Entity from pledging the Collateral pursuant to this Agreement. There are no subscriptions, warrants, rights of first refusal, or other restrictions on transfer relative to, or options exercisable with respect to, the Collateral. The Collateral is not the subject of any present or threatened suit, action, arbitration, administrative or other proceeding, and no Company Entity knows of any reasonable grounds for the institution of any such proceedings. The Collateral consisting of equipment and inventory is in good operating condition and repair, subject to ordinary wear and tear, and the Company Entity owning such Collateral has made all economically reasonable and necessary repairs thereto. The Collateral consisting of inventory is of good and marketable quality, free from defects, except for inventory for which adequate reserves have been made in accordance with GAAP.

**(l) Ordinary Course of Business**. Each Company Entity intends to run its business in the ordinary course of business and will continue to use commercially reasonable efforts to preserve substantially intact the business organization and assets of the Company Entities and preserve the current relationships of the Company Entities with customers, suppliers and other persons with which any Company Entity has significant business relations.

## ARTICLE 4
## [Reserved.]

**ARTICLE 5**
**AFFIRMATIVE COVENANTS**

Unless otherwise agreed in writing by Lender, each Company Entity shall, so long as any of the Restated Obligations remain unsatisfied, comply with the covenants in this Article 5.

**5.1 [Reserved.]**

**5.2 Maintenance of Corporate Existence and Properties**.

**(a)** Each Company Entity will at all times do or cause to be done all things necessary to maintain, preserve and renew its charter and its leases, privileges, franchises, qualifications and rights that are necessary in the ordinary conduct of its business, and conduct its business as presently conducted in an orderly and efficient manner in accordance with good business practices;

**(b)** Each Company Entity will provide or cause to be provided for itself insurance against loss or damage of the kinds customarily insured against by businesses similarly situated and located, with reputable insurers, in such amounts, with such deductibles and by such methods as are adequate in the judgment of such Company Entity's Governing Body, and in any event in amounts not less than amounts generally maintained by other companies of similar size engaged in similar businesses;

**(c)** Each Company Entity will keep true books of records and accounts in which full and correct entries will be made of all its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with generally accepted accounting principles; and

**(d)** Each Company Entity will comply in all Material respects with all applicable laws, statutes, rules, regulations, orders and restrictions in respect of the conduct of its business and the ownership of its properties, except such as are being contested in good faith.

**5.3 Payment of Indebtedness, Taxes and Claims**. Each Company Entity will pay (a) the Restated Obligations in accordance with the terms hereof; (b) file all tax returns and reports which are required by law to be filed by it; (c) pay before they become delinquent, all Taxes, assessments and governmental charges and levies imposed upon it or its property except such as are being contested in good faith; and (d) pay all claims or demands of any kind (including but not limited to those of suppliers, mechanics, carriers, warehousemen, landlords and other like persons) which, if unpaid, might result in the creation of a lien upon its property other than a Permitted Lien.

**5.4 Litigation and Other Notices**. Company shall furnish to Lender written notice of the following promptly after any officer (or similar) of any Company Entity becomes aware of the same:

**(a)** any Event of Default or the occurrence of any event or condition that would likely result in an Event of Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto; *provided*, *however*, that Company shall provide written notice to Lender not later than 48 hours prior to the occurrence of an Event of Default described in Section 7.3 of this Agreement;

**(b)** the filing or commencement of, any action, suit or proceeding, whether at law or in equity or by or before any governmental authority, against any Company Entity which has had or would likely have a Material Adverse Effect;

**(c)** any development, event or condition affecting or relating to any Company Entity that has had, or would likely have, a Material Adverse Effect; *provided*, *however*, notice for events which occur on a frequent basis may be aggregated into one monthly or quarterly notice as agreed upon in writing by Lender; and

**(d)** the issuance by any governmental authority of any injunction, order or decision, or the entry by any Company Entity into an agreement with any governmental agency, Materially restricting the business of any Company Entity or concerning any Material business practice of any Company Entity; *provided*, *however*, notices regarding regulatory changes will be provided only quarterly.

**5.5 Inspection**. Each Company Entity shall permit Lender, at Lender's expense, to visit and inspect such Company Entity's properties; examine its books of account and records; and discuss such Company Entity's affairs, finances, and accounts with its officers during normal business hours of such Company Entity as may be reasonably requested by Lender; *provided*, *however*, that such Company Entity shall not be obligated pursuant to this Section 5.5 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to Company) or the disclosure of which would or could reasonably be expected to adversely affect the attorney-client privilege between Company and its counsel.

**5.6 Subsidiaries**. Company shall cause all of the Company Entities to comply with the provisions of Article 5. Company shall deliver prior written notice to Lender of the formation or acquisition of any Subsidiary. All such Subsidiaries of Company shall execute and deliver to Lender such joinders, pledge agreements and other documents as Lender reasonably requests.

**5.7 Further Assurances**.

**(a)** Each Company Entity will at any time or times promptly execute such instruments and perform such acts as Lender may reasonably request to establish and maintain an attached and perfected security interest in the Collateral and will pay all costs of filing and recording.

**(b)** Company will reimburse Lender for all reasonable costs, fees and expenses (including reasonable attorneys' fees) for the perfection and the continuation of the perfection of Lender's security interest in the Collateral and the cost of any terminations, extensions, renewals, amendments and releases thereof, and shall promptly pay all reasonable costs, fees and expenses of any record searches for financing statements Lender may reasonably require.

**5.8 Records Regarding Collateral**. Each Company Entity shall maintain all records, instruments or other documentation evidencing or otherwise relating to the Collateral at Company's chief executive office and will not (a) remove any part thereof, or (b) change such Company Entity's

name, state of organization, or location of its chief executive office, without the prior written notification to Lender no less than 10 days prior to the effective date of such change.

**5.9 Compliance**. Each Company Entity shall comply with the requirements of all applicable state and federal laws, and of all rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject.

**5.10 Expenses Related to Non-Compliance with Covenants**. If after five days' notice from Lender, any Company Entity fails to comply with any one or more of the covenants provided for in this Agreement, Lender may, but has no obligation to, take such reasonable actions as Lender, in its sole discretion, deems appropriate to ensure such Company Entity remains in or returns to compliance with this Agreement and to protect Lender's interest under this Agreement, including without limitation, paying premiums, Taxes, Indebtedness that is not Permitted Indebtedness and/or judgments . Company shall thereafter promptly reimburse Lender for all reasonable costs, fees and expenses incurred by Lender in connection therewith together with interest at the rate set forth in Section 12.7 from the date of disbursement.

## ARTICLE 6
## [Reserved.]

## ARTICLE 7
## EVENTS OF DEFAULT

The term "**Event of Default**" means the occurrence of any one or more of the following events:

**7.1 Payment of Restated Obligations**. The failure or refusal of Company to pay any portion of the Restated Obligations on the due date in accordance with the terms of the Transaction Documents (each, a "**Payment Event of Default**"); *provided* that, subject to Section 12.7 hereof, Company will have 15 days following the due date thereof to cure any such Payment Event of Default.

**7.2 Other Covenants**. The failure or refusal of any Company Entity to punctually and properly perform, observe and comply with any Material affirmative covenant, agreement or condition contained in any of the Transaction Documents and such failure continues for a period of 30 days after the earliest of: (a) the date Company gives notice of such failure to Lender; (b) the date Company should have given notice of such failure to Lender pursuant to this Agreement; and (c) the date Lender gives notice of such failure to Company; *provided* there will be no cure period for the Events of Default provided in Section 7.3.

**7.3 Bankruptcy; Insolvency**.

**(a)** any Company Entity commences a voluntary case under Title 11 of the United States Code as now or hereafter in effect, or any successor thereto;

**(b)** an involuntary case under Title 11 of the United States Code is commenced against any Company Entity and the petition is not dismissed within 60 days after commencement of the case;

**(c)** a custodian is appointed for, or takes charge of, all or any substantial part of the property of any Company Entity;

**(d)** any Company Entity commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to any Company Entity;

**(e)** any Company Entity shall fail to pay, or shall state that it is unable to pay, or is unable to pay, its debts generally as they become due; or

**(f)** the Company Entities (taken as a whole) shall cease or substantially change or reduce their operations.

**7.4 Judgments**. A final non-appealable judgment for the payment of money in excess of $100,000 is rendered against a Company Entity, and such judgment remains unpaid or undischarged for more than 30 days from the date of entry thereof or such longer period during which execution of such judgment is stayed during an appeal from such judgment.

**7.5 False Statement**. Any representation or warranty made by or on behalf of a Company Entity in this Agreement or any other Transaction Documents or in any certificate, statement, report or document herewith or hereafter furnished to Lender pursuant to this Agreement or any other Transaction Documents shall prove to have been false or misleading in any Material respect on the date as of which the facts set forth are stated or certified, if the facts are not remedied to reflect the representation or warranty made within 30 days of any officer of a Company Entity becoming aware of such false or misleading representation or warranty.

**7.6 Cross Default**. (a) The maturity of any Indebtedness of any Company Entity (other than Indebtedness under this Agreement) owed to Lender that is not paid when due, after giving effect to any grace or cure period, or (b) the maturity of any Indebtedness of any Company Entity in an aggregate amount equal to or greater than $100,000 owed to others is accelerated for payment prior to the original maturity date thereof as a result of any default thereunder, or (c) any Company Entity fails to pay any such Indebtedness when due or, in the case of such Indebtedness payable on demand when demanded, after giving effect to any grace or cure period.

**7.7 Material Adverse Effect**. Any other event that Lender deems to have had a Material Adverse Effect on a Company Entity.

## ARTICLE 8
## RIGHTS AND REMEDIES

**8.1 General Remedies**. If any Event of Default specified in Section 7.3 shall occur, all Restated Obligations of the Company Entities to Lender hereunder and under the other Transaction Documents shall automatically become immediately due and payable without notice. Upon the occurrence of any Event of Default, Lender may, without notice of any kind (including, without limitation, notice of acceleration or of intention to accelerate,

presentment and demand or protest, all of which are hereby expressly waived by Company) do any one or more of the following:

**(a)** declare the Restated Obligations, or any part thereof, immediately due and payable;

**(b)** exercise any and all other legal or equitable rights afforded by the Transaction Documents and the laws of the Applicable Jurisdiction or any other jurisdiction as Lender shall deem appropriate; and

**(c)** take any action permitted by this Agreement or by applicable law, including the Uniform Commercial Code then in effect in the Applicable Jurisdiction, to satisfy the Restated Obligations of the Company Entities owed to Lender, including, but not limited to, Lender may in its sole discretion sell the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as Lender may deem commercially reasonable, and Lender may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set off the amount of such purchase price against the Restated Obligations. Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, with notice, be made at the time and place to which it was so adjourned. Lender may abandon any such proposed sale. Each Company Entity acknowledges that any private sales of Collateral effected by Lender may result in terms less favorable to a seller than public sales but each Company Entity agrees that such private sales shall nevertheless be deemed commercially reasonable. The Company Entities shall pay all costs, fees and expenses incurred by Lender, including reasonable attorney's fees and court costs, in connection with any such sale.

**8.2 Notice of Sale**. If any notification of intended disposition of any of the Collateral is required by law, such notification will be deemed reasonably and properly given if provided in accordance with Section 12.6 at least 10 days before such disposition, postage prepaid, addressed to Company at the address set forth in the introduction to this Agreement. Such disposition shall be established by affidavit of a representative of Lender, receipts or other reasonable method.

**8.3 Remedies Cumulative; No Waiver**. The rights and remedies of Lender hereunder are cumulative and nonexclusive and the exercise of any one or more of the remedies provided for herein or under applicable law shall not be construed as a waiver of any of the other remedies of Lender so long as any part of the Restated Obligations remain unsatisfied. No failure on the part of Lender to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by Lender preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

**8.4 Application of Proceeds**. Any payments or proceeds received by Lender from the Collateral shall be applied to the payment of costs, fees and expenses incurred by Lender in connection with performing, managing, maintaining or selling the Collateral, including reasonable attorneys' fees and expenses, and the balance, if any, shall be applied by Lender to payment of the Restated Obligations, in order of application as Lender shall reasonably determine.

**8.5 Notice to Account Debtors**. Upon the occurrence and during the continuance of (i) any Event of Default under Section 7.3, or (ii) upon any other Event of Default, provided Lender has declared all Restated Obligations immediately due and payable, Lender may notify any or all account debtors of the existence of Lender's security interest in the Collateral and require such account debtors to pay or remit all sums due or to become due directly to Lender or its nominee.

**8.6 Performance by Lender**. If any Company Entity does not perform any covenant, duty or agreement in accordance with the terms of the Transaction Documents, Lender may, at its option, perform or attempt to perform, such covenant, duty or agreement on behalf of such Company Entity. In such event, any amount expended by Lender in such performance or attempted performance will be payable by Company to Lender on demand, will become part of the Restated Obligations and will bear interest at the rate set forth in Section 12.7 from the date of such expenditure by Lender until paid. Notwithstanding the foregoing, it is expressly understood that Lender does not assume and will never have, except by express written consent of Lender, any liability or responsibility for the performance of any covenant, duty or agreement of any Company Entity. Lender will have (and is hereby granted in such event) a royalty-free license to use intellectual property rights of each Company Entity to complete production of, advertisement for, and disposition of any Collateral and Lender will have a license to enter into, occupy, and use each Company Entity's premises and the Collateral without charge to exercise any of Lender's rights or remedies under this Agreement or under any other Transaction Document.

**8.7 Delegation of Duties and Rights**. Lender may perform any of its duties or exercise any of its rights under the Transaction Documents by or through its officers, members of its Governing Body, employees, attorneys, agents or other representatives.

**8.8 Expenditures by Lender**. Each Company Entity shall indemnify Lender for all court costs, reasonable attorneys' fees, other costs of collection and other sums spent by Lender pursuant to the exercise of any right (including, without limitation, any effort to collect amounts due or otherwise enforce this Agreement) provided herein. All such amounts will be payable to Lender on demand and will bear interest at the rate set forth in Section 12.7 from the date spent until the date repaid.

**8.9 Lender's Authority**. Lender has the authority, but is not obligated to:

**(a)** place on any chattel paper received as proceeds a notation or legend showing Lender's security interest;

**(b)** demand, collect, receive and receipt for, compound, compromise, settle and give acquittance for, and prosecute and discontinue any suits or proceedings in respect of any or all of the Collateral in the name of the Company Entities;

**(c)** upon prior written notice to Company, take any action which Lender may deem necessary or desirable in order to realize on the Collateral, including, without limitation, performance of any contract and endorsement in the name of any Company Entity of any checks, drafts, notes or other instruments or documents received in payment of or on account of the Collateral; and

**(d)** place upon each Company Entity's books and records relating to the Collateral covered by the security interest granted hereby a notation or legend stating that such are subject to a security interest held by Lender.

**8.10 Notification to Company**. Lender may, but is under no obligation, to use reasonable efforts to notify Company of any of the foregoing

actions by Lender in this Article 8; *provided*, *however*, the parties hereto expressly agree that the failure of Lender to provide notice shall not in any way affect or impair any action taken by Lender, it being understood that any absolute obligation of notice is hereby waived by Company and each other Company Entity.

## ARTICLE 9
## [Reserved.]

## ARTICLE 10
## INDEMNIFICATION

**10.1 Indemnification**. Each Company Entity, jointly and severally, agrees to indemnify and hold harmless Lender and its successors and assigns, together with any of its officers, members of its Governing Body, shareholders, partners, members, and/or managers (such persons, the "**Indemnified Parties**"), from and against all losses, damages, liabilities, obligations, costs or expenses (any one such item being herein called a " **Loss**" and all such items being herein collectively called "**Losses**") which are caused by or arise out of, or (in the case of claims asserted against any Indemnified Parties by a third party) alleged to result from, arise out of or have been incurred with respect to, (a) any breach or default in the performance by any Company Entity of any covenant or agreement of any Company Entity contained in this Agreement, (b) any breach of warranty or inaccurate or erroneous representation made by any Company Entity herein or in any certificate or other instrument delivered by or on behalf of any Company Entity pursuant hereto, and (c) any and all actions, suits, proceedings, claims, demands, judgments, costs and expenses (including costs and attorneys' fees) arising out of the foregoing except when such actions, suits, proceedings, claims, demands, judgments, costs and expenses arise as a result of the grossly negligent or intentional actions or omissions of Lender.

**10.2 Survival**. The indemnification provided in this Article 10 shall only apply, without limitation, to any act, omission, event or circumstance existing or occurring on or prior to the date of payment in full of the Restated Obligations.

## ARTICLE 11
## DEFINITIONS

"**Applicable Jurisdiction**" means the State of Utah.

"**Certificate of Perfection**" means a Certificate of Perfection in the form provided by Lender to Company.

"**Change of Control**" means either (a) a merger or consolidation of Company with or into another entity, or other transaction, following which the stockholders of Company immediately prior to such transaction hold securities representing less than a majority of the voting power of the surviving entity or parent of the surviving entity immediately following such transaction, or (b) the sale, lease, license or other disposition of all or substantially all of Company's assets. Notwithstanding the prior sentence, the sale of Company's equity securities in a bona fide equity financing transaction shall not be deemed a "Change of Control."

"**Collateral**" means those assets listed on Schedule 11.1 of each Company Entity.

"**Indebtedness**" means (a) indebtedness for borrowed money or the deferred price of property or services, and other obligations to pay, (b) obligations evidenced by notes, bonds, debentures or similar instruments and (c) capital lease obligations. **FOR THE AVOIDANCE OF DOUBT, "INDEBTEDNESS" INCLUDES, WITHOUT LIMITING THE FOREGOING, MERCHANT CASH ADVANCES, FACTORING OBLIGATIONS, PRE-SALE OF FUTURE ACCOUNTS RECEIVABLE AND/OR PURCHASE ORDERS, CREDIT CARD ADVANCES, AND ANY OFF-BALANCE SHEET ARRANGEMENTS.**

"**Lender Account**" means the account with Silicon Valley Bank held in Lender's name with the account details as set forth in Schedule 2.3(b)(1).

"**Lien**" means a claim, mortgage, deed of trust, levy, charge, pledge, security interest, or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Material**" means material in relation to the properties, business, prospects, operations, earnings, assets, liabilities and/or condition (financial or otherwise) of the Company Entities taken as a whole, whether or not in the ordinary course of business.

"**Material Adverse Effect**" means a Material adverse effect on the properties, business, prospects, operations, earnings, assets, liabilities and/or the condition (financial or otherwise) of the Company Entities taken as a whole, whether or not in the ordinary course of business.

"**Maturity Date**" means the earliest of: (a) December 31, 2024, (b) immediately prior to a Change of Control, and (c) acceleration of the Restated Obligations as provided in Article 8.

"**Payment Commencement Date**" means September 15, 2021.

"**Permitted Indebtedness**" means those liabilities and Indebtedness listed on Schedule 11.2 attached hereto.

"**Permitted Liens**" means liens listed on Schedule 11.3 attached hereto.

"**Person**" means any individual, entity or association.

"**promptly**" means within 10 calendar days following the applicable event.

"**Restated Obligations**" means the payment when due of the Principal Amount, Interest, and all other amounts due under this Agreement when due, whether at maturity, by acceleration, prepayment or otherwise, together with all other costs, fees, expenses, indemnities and reimbursements, as well as all other obligations of Company now or hereafter existing under this Agreement

"**Subsidiary**" means, with respect to any Person, any other Person (a) of which a majority of the outstanding voting securities or other voting equity interests, or a majority of any other interests having the power to direct or cause the direction of the management and policies of such other Person, are owned, directly or indirectly, by such Person or (b) with respect to which such Person or its Subsidiaries is a general partner or managing member.

"**Tax**" or "**Taxes**" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property or windfall profits taxes, environmental taxes, customs duties, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, workers' compensation, employment-related insurance, real property, personal property, sales, use, transfer, value added, alternative or add-on minimum or other governmental tax, fee, assessment or charge of any kind whatsoever including any interest, penalties or additions to any Tax or additional amounts in respect of the foregoing.

"**Transaction Documents**" means this Agreement and all exhibits and schedules to this Agreement, as well as all other agreements executed or delivered by any Company Entity, any guarantor or party granting security interests or providing credit enhancements in connection with this Agreement or any Collateral for the Restated Obligations.

## ARTICLE 12
## MISCELLANEOUS

**12.1 Survival of Representations and Warranties**. The warranties, representations and covenants of each Company Entity and Lender and the indemnification obligations of each party contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of Lender or any Company Entity.

**12.2 Successors and Assigns**. No Company Entity may assign its rights or delegate its Restated Obligations under this Agreement without Lender's prior written consent, except in connection with a Change of Control. Lender may not assign its rights under this Agreement or any Transaction Document without Red Cat's prior written consent. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the parties' respective successors and assigns. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

**12.3 Governing Law**. This Agreement is governed by and construed under the substantive laws of the Applicable Jurisdiction without regard to the conflicts of law provisions thereof. The state and federal courts in the Applicable Jurisdiction have exclusive jurisdiction of any and all actions or suits commenced by Lender or any Company Entity arising under or with respect to this Agreement.

**12.4 Jurisdiction and Venue.** Each of Lender and each Company Entity irrevocably consents to the exclusive jurisdiction and venue of any court within the Applicable Jurisdiction, in connection with any matter based upon or arising out of this Agreement, the Transaction Documents or the matters contemplated herein or therein, and agrees that process may be served upon them in any manner authorized by the laws of the Applicable Jurisdiction for such persons.

**12.5 Titles and Subtitles**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

**12.6 Notices**. All notices required or permitted hereunder shall be in writing and will be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the address as set forth on the first page of this Agreement or at such other address as such party may designate by ten days' advance written notice to the other parties hereto.

**12.7 Fees and Expenses**. Company shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement. Company shall, at the Closing, pay the fees and expenses of Lender (including reasonable fees and expenses of counsel for Lender). Lender will submit an invoice to Company no less frequently than annually for out-of-pocket costs, fees and expenses incurred by Lender in the administration of the transactions contemplated by this Agreement which are provided for in this Agreement. Following Closing, Company shall promptly reimburse Lender for all reasonable, documented out-of-pocket costs, fees and expenses (including accounting, appraisal, consulting, and reasonable attorneys' fees) incurred by Lender in connection with (a) the administration of the transactions contemplated by this Agreement, (b) any breach or default by Company under the Transaction Documents, and (c) any request by Company to modify or waive the Transaction Documents and otherwise change or affect the rights of Lender or Restated Obligations of Company pursuant to the Transaction Documents. All fees and expenses assessed or incurred by Lender under this Agreement will accrue interest at a rate of 18% per annum if unpaid from the date 30 days after such fees and expenses are invoiced by Lender and billed in writing to Company.

**12.8 Amendments and Waivers**. No failure on the part of Lender to exercise and no delay in exercising any power or right hereunder or under any other Transaction Document shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The remedies herein and in any other instrument, document or agreement delivered or to be delivered to Lender hereunder or in connection herewith are cumulative and not exclusive of any remedies provided by law. No notice to or demand on any Company Entity not required hereunder shall in any event entitle any Company Entity to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of Lender to any other or further action in any circumstances without notice or demand. No amendment, modification or waiver of any provision of this Agreement or any other Transaction Document or consent to any departure by a Company Entity therefrom will be effective unless the same is in writing and signed by Lender and each Company Entity.

**12.9 Severability**. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision will be excluded from this Agreement and the balance of the Agreement will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

**12.10 Entire Agreement**. This Agreement and the documents referred to herein constitute the entire agreement among the parties and supersede any prior agreements or understandings (whether written or oral) regarding the subject matter hereof, including the RLSA.

**12.11 Representation of Lender**. Lender is an accredited investor as defined in Rule 501(a) of Regulation D and has such business and financial experience as necessary to enable it to protect its interests in connection with the transactions contemplated by this Agreement. Lender has had the opportunity to ask questions and to receive answers and to obtain the information concerning the Company Entities and the transactions contemplated by this Agreement that it has deemed material and necessary to evaluate the merits and risks of the transactions contemplated by this Agreement.

**12.12 Termination**. This Agreement shall terminate upon indefeasible satisfaction of the Restated Obligations; *provided*, *however*, Sections 5.2, 5.3, 5.5, and 5.6, shall terminate upon payment to Lender in full of all of the Company's Restated Obligations.

**12.13 Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile, portable document format (.pdf), DocuSign or other electronic transmission is equally as effective as delivery of a manually executed counterpart of this Agreement.

**12.14 Costs of Enforcement**. Company agrees to pay all costs, fees and expenses of enforcement, collection, or preservation of collateral (including reasonable attorneys' fees) that Lender incurs in connection with any default or Event of Default hereunder (whether before or after any cure). Additionally, Company agrees to pay all costs, fees and expenses (including reasonable attorneys' fees) that Lender incurs, before or after any default or Event of Default as a result of any litigation or other action in which Lender becomes involved as a party, witness or otherwise as a result of making the Loan evidenced by this Agreement.

**12.15 Waiver of Jury Trial**. Each Company Entity hereby knowingly, voluntarily and intentionally **WAIVES THE RIGHT TO TRIAL BY JURY** in respect of any litigation based herein, arising out of, under or in connection with this Agreement or any other Transaction Document or any course of conduct, course of dealings, statements (whether verbal or written) or acts of either party, or any exercise by any party of their respective rights under this Agreement or any other Transaction Document. Each Company Entity hereby acknowledges that this waiver of jury trial is a material inducement to Lender in extending credit to Company, that Lender would not have extended credit without this waiver of jury trial, and that each Company Entity has had an opportunity to consult with an attorney in connection with this waiver of jury trial and understands the legal effect of this waiver.

**12.16 Waiver of Notices and Hearing**. Each Company Entity by entering into this Agreement and negotiating the terms hereof, voluntarily, intelligently and knowingly waives any rights it may have to demand any notices other than those provided for herein and any right to a hearing as a condition precedent to Lender's exercise of its rights to foreclose on any Collateral. All makers, endorsers, sureties, guarantors and other accommodation parties hereby waive presentment for payment, protest and notice of nonpayment and consent, without affecting their liability hereunder, to any and all extensions, renewals, substitutions and alterations of any of the terms of this Agreement and to the release of or failure by Lender to exercise any rights against any party liable for or any property securing payment thereof.

**12.17 Confidentiality**. No Company or any of their respective officers, members of its Governing Body, employees, agents, or equity holders shall disclose this Agreement, the terms hereof or any related transactions or agreements to any third party other than Company's accountants and attorneys, without the prior written approval of Lender. Nothing will prevent Lender from disclosing this Agreement or the terms hereof for marketing purposes, press releases or other transactional announcements or updates provided to investor or trade publications, including the placement of "tombstone" advertisements in financial and other newspapers and journals. Nothing contained in this Agreement shall preclude disclosures necessary to comply with accounting standards and applicable securities and other laws and regulations including disclosures made in order to comply with the regulations of the Securities and Exchange Commission ("SEC") or with the regulations of any applicable securities exchange (including the regulations of the OTC Bulletin Board and the NASDAQ Capital Market); provided, however, that any such disclosure shall include only such information as the receiving party is required, in the opinion of such receiving party's counsel, by law or other disclosure obligations to disclose.

**12.18 Time.** Time is of the essence for the performance of each and every covenant of each Company Entity under this Agreement.

**The signature page follows.**

The parties have executed this Agreement as of the Effective Date.

**COMPANY:**

TEAL DRONES, INC.

By: _____
George Matus, Chief Executive Officer

**LENDER:**

DECATHLON ALPHA IV, L.P.

By: Decathlon Alpha GP IV, LLC
Its: General Partner

By: _____
Wayne Cantwell, Managing Director

**EXHIBIT A**
**FORM OF JOINDER**

**JOINDER TO**
**REVENUE LOAN AND SECURITY AGREEMENT**

Reference is made to that certain Amended and Restated Loan Agreement dated as of August 31, 2021 (the " **Agreement**"), by and between Teal Drones, Inc., a Delaware corporation and Decathlon Alpha IV, L.P., a Delaware limited partnership ("**Lender**"). Capitalized terms used but not defined herein have the meanings given to them in the Agreement, as amended.

This joinder agreement (this "**Joinder**"), dated as of August 31, 2021, is delivered by Red Cat Holdings, Inc., a Nevada corporation (" **Red Cat**" or "**Guarantor**").

By executing and by delivering this Joinder, as provided in Section 5.8 of the Agreement, each Guarantor hereby becomes a party to the Agreement, as amended from time to time, in the same manner and with the same force and effect as if such Guarantor were an original signatory to the Agreement as a party thereto for the following purposes: (i) such Guarantor shall be deemed to be a "Company Entity" for all purposes under the Agreement, (ii) such Guarantor shall be deemed to have granted a security interest to Lender as contemplated under Section 2.4 of the Agreement in all of such Guarantor's Collateral described in Schedule 11.1 of the Agreement, and Lender will be permitted to take such actions and make such filings as are contemplated in Section 2.4 of the Agreement with respect to such Guarantor for the such Guarantor's Collateral; and (iii) such Guarantor acknowledges and agrees that it is subject to and shall comply with all covenants and agreements applicable to a Company Entity as set forth in the Agreement. such Guarantor hereby further agrees to deliver such other documents that Lender may reasonably request pursuant to the Agreement.

Each Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 3.1 of the Agreement applicable to a Company Entity is true and correct in all material respects on and as of the date hereof as if made on and as of such date.

*Signature page follows*

**GUARANTOR**:

RED CAT HOLDINGS, INC.

BY: _____
Jeffrey Thompson, CEO

***Acknowledged and agreed:***

**COMPANY**:

TEAL DRONES, INC.

By: _____
George Matus, Chief Executive Officer

**LENDER:**

DECATHLON ALPHA IV, L.P.

By: Decathlon Alpha GP IV, LLC
Its: General Partner

By: _____
Wayne Cantwell, Managing Director

**SCHEDULE 2.3(b)(1)**
**LENDER'S ACCOUNT DETAILS**

Beneficiary: Decathlon Alpha IV, L.P.
1441 West Ute Boulevard, Suite 240
Park City, UT 84098

Account No: 3302474246
Routing No: 121140399
SWIFT No: SVBKUS6S

Bank: Silicon Valley Bank
3000 Tasman Drive
Santa Clara, CA 95054

**SCHEDULE 11.1**
**COLLATERAL**

All present and hereafter acquired property of Company wherever located and however described and whether or not constituting a fixture (including, without limitation, any and all present and future property), together, in each case, with all proceeds thereof, including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables and credit card receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, money, patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade names, other names, software, and all general intangibles (including all payment intangibles); together with all goodwill related to the foregoing property and all rights, liens, security interests and other interests which Company may at any time have by law or agreement against any account debtor, issuer or obligor obligated to make any such payment or against any of the property of such account debtor, issuer, or obligor, and all other supporting obligations relating to the foregoing, whether now existing or hereafter arising, whether now owned or hereafter acquired; and all products and proceeds of the foregoing property, including without limitation all accounts, instruments, chattel paper, investment property, letter-of-credit rights, letters-of-credit, other rights to payment, documents, deposit accounts, money, insurance proceeds and general intangibles related to the foregoing property, and all refunds of insurance premiums due or to become due under all insurance policies covering the foregoing property, all whether now owned or hereafter acquired, and wherever located, together with proceeds of all of the foregoing.

[ALL REGISTERED INTELLECTUAL PROPERTY SHOULD BE SPECIFICALLY IDENTIFIED BELOW. FAILURE TO SO LIST REGISTERED INTELLECTUAL PROPERTY DOES NOT EXCLUDE IT FROM COLLATERAL.]

**SCHEDULE 11.2**
**PERMITTED INDEBTEDNESS**

"**Permitted Indebtedness**" means: (i) Indebtedness arising under this Agreement or any other Transaction Document; (ii) Indebtedness existing on the Closing Date; (iii) Indebtedness incurred in the ordinary course of business, including suppliers, lenders, investors, debtholders, consultants and advisors, employees and board members, corporate credit cards and other similar amounts; (iv) Capital Lease Obligations for equipment to be used in the ordinary course of business; and (v) extension, refinancing and renewal of any items of Indebtedness.

**SCHEDULE 11.3**
**PERMITTED LIENS**

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificates or arising under this Agreement and the other Transaction Documents or for Permitted Indebtedness;

(b) Liens for Taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which the applicable Company Entity maintains adequate reserves on its books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended , and the Treasury Regulations adopted thereunder;

(c) statutory Liens securing claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other Persons imposed

without action of such parties, provided they have no priority over any of Lender's Lien and the aggregate amount of such Liens does not exceed $10,000 at any one time;

(d) leases or subleases of real property granted in the ordinary course of business, if the leases, subleases, licenses and sublicenses do not prohibit granting Lender a security interest; and

(e) banker's liens, rights of setoff and Liens in favor of financial institutions incurred made in the ordinary course of business arising in connection with a Company Entity's deposit accounts or securities accounts held at such institutions to secure solely payment of fees and similar costs and expenses;

(f) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(g) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default;

(h) easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and similar charges or encumbrances affecting real property not constituting a Material Adverse Effect;

(i) non-exclusive licenses of intellectual property granted to third parties in the ordinary course of business; and

(j) non-exclusive licenses of intellectual property granted to third parties in the ordinary course of business in connection with joint ventures and corporate collaborations.

**Exhibit 10.3**

**FORM OF JOINDER**

**JOINDER TO**
**REVENUE LOAN AND SECURITY AGREEMENT**

Reference is made to that certain Amended and Restated Loan Agreement dated as of August 31, 2021 (the " **Agreement**"), by and between Teal Drones, Inc., a Delaware corporation and Decathlon Alpha IV, L.P., a Delaware limited partnership (" **Lender**"). Capitalized terms used but not defined herein have the meanings given to them in the Agreement, as amended.

This joinder agreement (this "**Joinder**"), dated as of August 31, 2021, is delivered by Red Cat Holdings, Inc., a Nevada corporation (" **Red Cat**" or "**Guarantor**").

By executing and by delivering this Joinder, as provided in Section 5.8 of the Agreement, each Guarantor hereby becomes a party to the Agreement, as amended from time to time, in the same manner and with the same force and effect as if such Guarantor were an original signatory to the Agreement as a party thereto for the following purposes: (i) such Guarantor shall be deemed to be a "Company Entity" for all purposes under the Agreement, (ii) such Guarantor shall be deemed to have granted a security interest to Lender as contemplated under Section 2.4 of the Agreement in all of such Guarantor's Collateral described in Schedule 11.1 of the Agreement, and Lender will be permitted to take such actions and make such filings as are contemplated in Section 2.4 of the Agreement with respect to such Guarantor for the such Guarantor's Collateral; and (iii) such Guarantor acknowledges and agrees that it is subject to and shall comply with all covenants and agreements applicable to a Company Entity as set forth in the Agreement. such Guarantor hereby further agrees to deliver such other documents that Lender may reasonably request pursuant to the Agreement.

Each Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 3.1 of the Agreement applicable to a Company Entity is true and correct in all material respects on and as of the date hereof as if made on and as of such date.

*Signature page follows*

**GUARANTOR**:

RED CAT HOLDINGS, INC.

By:_____
Jeffrey Thompson, CEO

# EQUITY STOCK TRANSFER ESCROW AGREEMENT

This Escrow Agreement dated as of August 31, 2021 (this "**Escrow Agreement**"), is entered into by and among:

1. Red Cat Holdings, Inc., a Nevada corporation ("**RC**");

2. Teal Acquisition I, Corp., a Delawar corporation ("**Buyer**");

3. Teal Drones, Inc., a Delaware corporation ("**Teal**");

4. George Matus (the "**Shareholder Representative**"), individually and as representative of the shareholders of Teal consisting of Company Common Stock Company Series Seed Preferred Stock, Company Series Seed Prime Preferred Stock, Company Series A Preferred Stock, Company Series A-1 Preferred Stock, and Company Series A-2 Preferred Stock, each as defined in the Merger Agreement (as defined below) (each, a "**Shareholder**" and collectively, the "**Shareholders**"); and

5. Equity Stock Transfer, LLC, as escrow agent ("**Escrow Agent**").

RC, Buyer, Teal and Shareholders are each a "**Party**" and together are "**Parties**", and capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement.

RECITALS

**WHEREAS**, RC, Buyer, Teal and Shareholders entered into that certain Agreement and Plan of Merger dated as of July 13, 2021, as amended by that certain Amended and Restated Agreement and Plan of Merger dated as of the date hereof (the "**Merger Agreement**") pursuant to which Buyer agreed to be merged with and into Teal, with Teal continuing as the Surviving Corporation;

**WHEREAS**, the Shareholders are parties to a Designation of Proportionate Allocation and Distribution Agreement dated as of the date hereof (the "**Liquidity Agreement**");

**WHEREAS**, RC, Teal, Shareholders and Decathlon Alpha IV, L.P., ("**DA4**") are parties to an Amended and Restated Loan and Security Agreement dated as of the date hereof (the "**DA4 Agreement**")

**WHEREAS**, capitalized terms not otherwise defined herein shall have the meaning set forth in the Merger Agreement or the Liquidity Agreement, as applicable;

**WHEREAS**, in accordance with the Merger Agreement and Section 2.2 thereof, RC is required to deliver to the Escrow Agent **Fifteen (15%) percent** of the shares of Common Stock, par value $0.0001 per share, of RC (the "**Common Stock**"), issuable as the Stock Consideration, to be held in escrow by the Escrow Agent to be issued at Closing to Shareholders (collectively, the "**Escrow Shares**");

**WHEREAS**, pursuant to the DA4 Agreement $2.0 million of the Stock Consideration is required to and has been paid to DA4, such that at closing the balance of the Escrow Shares shall be deducted from the Shareholders in proportions and amounts set forth in the Liquidity Agreement, and DA4 shall not be responsible for any Escrow Obligations hereunder;

**WHEREAS,** the Escrow Shares are deposited with Escrow Agent to serve as security for payment of any amounts due as a result of: (1) the Working Capital Adjustment as provided in Section 2.1(c) of the Merger Agreement and (2) the indemnification obligations in Article 9 of the Merger Agreement;

**WHEREAS**, the Parties hereto acknowledge that the Escrow Agent is not a party to, is not bound by, and has no duties or obligations under the Merger Agreement, the Liquidity Agreement or the DA4 Agreement, that all references in this Escrow Agreement to the Merger Agreement, Liquidity Agreement and DA4 Agreement are for convenience or clarity, and that the Escrow Agent shall have no implied duties beyond the express duties set forth in this Escrow Agreement; and

**WHEREAS**, the Parties have agreed to appoint Escrow Agent to hold the Escrow Shares in escrow, and Escrow Agent agrees to hold and distribute the Escrow Shares, in accordance with the terms and provisions of this Escrow Agreement.

**NOW, THEREFORE**, in consideration of the promises and agreements of the Parties and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties and Escrow Agent agree as follows:

## ARTICLE 1 ESCROW DEPOSIT

**Section 1.1 Appointment of Escrow Agent.** The Parties hereby designate and appoint Escrow Agent as their agent to receive, hold in escrow, and disburse the Escrow Shares in accordance with the term of this Escrow Agreement, and Escrow Agent accepts such appointment.

**Section 1.2 Receipt and Deposit of the Escrow Shares; Commencement of Duties; Dividends and Distributions; Certain Rights of Seller.**

(a) Receipt and Deposit of the Escrow Shares and Blank Stock Powers; Commencement of Duties.

(i) Upon execution hereof and pursuant to the Merger Agreement, Liquidity Agreement and DA4 Agreement, RC shall deliver to Escrow Agent stock certificates (the "**Certificates**") representing the Escrow Shares and the Shareholders shall each deliver in the name of such Shareholder fully executed and notarized blank stock powers with respect to the Escrow Shares that are duly endorsed in form for transfer to RC together with a copy of the passport of such Seller (other than WSU) (the "**Stock Powers**"), and Escrow Agent shall promptly acknowledge receipt of the Certificates and the Stock Powers. Upon receipt of the Escrow Shares and the Stock Powers by the Escrow Agent, the duties and obligations of the Escrow Agent and the Parties to this Agreement shall commence.

(ii) The Escrow Shares shall be delivered by RC to Escrow Agent free and clear of all liens, claims and encumbrances (except as may be created by this Escrow Agreement, the Merger Agreement, the Liquidity Agreement or DA4 Agreement otherwise provided for by any applicable state and federal securities laws). Until the Termination Date, each of the Shareholders will not sell, assign, transfer or otherwise dispose of any part of the Escrow Shares.

(b) Dividends and Distributions. All dividends and distributions declared by RC on the Escrow Shares and payable to RC's shareholders of record ("**Dividends and Distributions**") at any time after the date hereof until the Termination Date (as defined below), shall be paid to the Shareholders as record holders of the Escrow Shares, and will not be deposited with Escrow Agent. If RC declares a stock split, subdivision, combination, reclassification or any other change in its capital structure affecting the Escrow Shares, fifteen (15%) percent of the certificates or other instruments relating thereto shall be immediately deposited by RC with Escrow Agent as additional Escrow Shares to be held and distributed by Escrow Agent in accordance with this Escrow Agreement.

(c) Certain Rights of Shareholders. Notwithstanding anything to the contrary contained herein and for so long as the Escrow Shares remain in escrow, Shareholders shall have the right to (i) vote all Escrow Shares, (ii) receive any Dividends and Distributions in respect of the Escrow Shares, and (iii) to exercise any and all other rights of a shareholder of RC with respect to the Escrow Shares.

(d) Deposit of Escrow Shares. Shareholders and RC agree that Escrow Agent, in connection with any Certificate(s) deposited pursuant to Section 1.2(a), shall have no responsibility to monitor the value of the Escrow Shares; (ii) no right or responsibility to collect Dividends and Distributions; (iii) no right or responsibility to sell or otherwise trade the Escrow Shares, but shall otherwise deliver the Escrow Shares on written instructions only as provided herein; and (iv) no responsibility to ensure the legality of the registration of the Escrow Shares.

**Section 1.3 Indemnified Losses and Dispute Resolution**.

(a) Unless (i) a Claims Notice has been asserted by RC, Buyer or Teal against the Escrow Shares specifying the amount claimed thereunder (a "**Claimed Amount**") and (ii) RC has provided the Escrow Agent and the Shareholders with written evidence of the Claim prior to the expiration of a period of **eighteen (18) months** after the date hereof (the "**Termination Date**") and (iii) Shareholders have not provided Escrow Agent evidence of the settlement of the Claimed Amount (a "**Settled Claim**") within thirty (30) days of notice thereof, the balance of the Escrow Shares shall be released from the Escrow and delivered to Shareholders **as their interests appear in the Liquidity Agreement**, and all stop-transfer instructions thereon shall be terminated upon the thirtieth (30th) day from the Termination Date; provided, however that if a Claims Notice is not provided by RC prior to the Termination Date, all of the Escrow Shares shall be released from Escrow and delivered to the Shareholders and all stop-transfer instructions thereon shall be terminated promptly following the Termination Date.

(b) RC shall make a claim for Working Capital adjustment pursuant to Section 2.1(c) of the Merger Agreement and may make a claim based on the indemnification obligations or Article 9 of the Merger Agreement (a "**Claim**") at any time prior to the Termination Date for a Claimed Amount by written notice ("**Claims Notice**"), in form and substance as set forth in Annex I, and attached hereto, to the Shareholder Representative and to the Escrow Agent together with evidence of the Claim. If Shareholder Representative does not provide RC and the Escrow Agent with written notice ("Response Notice"), in form and substance as set forth in Annex II and attached hereto, of denial of liability or dispute of the Claimed Amount or evidence of payment of the Claim within thirty (30) days of receipt of a Claims Notice, the Escrow Agent shall disburse the number of Escrow Shares in the Claimed Amount (based on the **Agreed Parent Share Price** determined pursuant to Section 1.5 hereof) as if the Escrow Agent had received a Conceded Amount Notice (defined below) for the full Claimed Amount pursuant to Section 1.3(c) hereof on the thirtieth (30th) day after the Escrow Agent received such certain Claims Notice from RC regarding the Claimed Amount (a "**Deemed Concession**").

(c) If **Shareholder Representative** has denied liability for, or otherwise disputes the Claimed Amount, in whole or in part, **Shareholder Representative** and RC, on behalf of the applicable claimant, shall attempt to resolve such dispute within thirty (30) days unless **Shareholder Representative** provides evidence of settlement of the claim and then RC shall no longer have any right to the Claimed Amount. If the **Shareholder Representative** and RC resolve such dispute and amounts are owed to the claimant, they shall deliver to Escrow Agent a written notice signed by each of **Shareholder Representative** and RC (which shall be binding on all the Parties) (the "**Conceded Amount Notice**") in form and substance as set forth in Annex III and attached hereto. Such Conceded Amount Notice shall instruct Escrow Agent to deliver to RC the amount, if any, of Escrow Shares agreed to by both the **Shareholder Representative** and RC (which shall be binding on all the Parties) in settlement of such dispute (the "**Conceded Amount**"). If the **Shareholder Representative** and RC cannot resolve such dispute, the Parties shall attempt to use mutually agreeable third-party methods such as mediation to resolve the dispute in order to obtain a Final Decision (defined below).

(d) Payment of Claims. Escrow Agent promptly shall deliver the applicable portion of the Escrow Shares and Stock Powers specific below, no later than the fifth ($5^{th}$) business day following the determination of a Payment Event (as such term is defined below), to RC from the Escrow Shares: (i) following any concession of liability by **Shareholder Representative,** in whole or in part, the

Conceded Amount as set forth in the Conceded Amount Notice; (ii) following any Deemed Concession of liability by Shareholder Representative, the Claimed Amount; or (iii) following receipt by Escrow Agent of any final decision by an arbitrator, mediator or judge and the expiration of any time to appeal or seek to vacate any amount, as the case may be (a "**Final Decision**"), the amount awarded in the Final Decision (the "**Ordered Amount**") to RC (collectively, clauses (i) (ii) and (iii) hereof, the "**Payment Events**"). Upon the occurrence of a Payment Event, in the event that Escrow Agent must deliver a portion of the Escrow Shares to RC (with the number of Escrow Shares calculated on the basis set forth in the Merger Agreement) from the Escrow Shares and the applicable Stock Powers, Escrow Agent shall return to RC the Certificates then held by Escrow Agent (the "**Primary Certificates**"), and RC shall deliver the Primary Certificates to **Equity Stock Transfer, LLC** the transfer agent of RC (the "**Transfer Agent**"), with a letter of instruction and any other document required by the Transfer Agent in connection therewith, from RC directing the Transfer Agent to: (i) cancel the Primary Certificates; (ii) if elected by RC, issue a new stock certificate registered to RC representing the number of Escrow Shares of the Conceded Amount or Ordered Amount, as applicable, relating to the Payment Event, which shall be delivered by the Transfer Agent to RC; and (iii) issue new stock certificates registered to Seller representing the Escrow Shares less the shares of the Conceded Amount, or Ordered Amount, as applicable, relating to such Payment Event, which shall be delivered by the Transfer Agent to Escrow Agent to be held in escrow or released to the Shareholders, as the case may be, in accordance with the terms set forth herein. At RC's or the Escrow Agent's written request, Seller shall deliver with three (3) business days of such request additional Stock Powers to the Escrow Agent with respect to any remaining Escrow Shares.

(e) For each Claim of a Claimed Amount made prior to the Termination Date for which (i) RC has provided the Escrow Agent and Shareholders with written evidence of the Claim and (ii) the Shareholders have not provided evidence of the settlement of the Claimed Amount on the Termination Date, the amount of Escrow Shares equal to the maximum amount of such Claims (calculated on the basis set forth in the Merger Agreement) shall continue to be held in escrow (a "**Maximum Claimed Amount**"). On the thirtieth (30th) day from the Termination Date, the balance of the Escrow Shares in escrow less the aggregate of all Maximum Claimed Amounts not otherwise resolved under the terms of this Agreement shall be released and delivered to Shareholders and all stop-transfer instructions thereon shall be terminated.

(f) For the absence of doubt, DA4 shall not be entitled to receive any Escrow Shares nor shall DA4 be required to deposit any Escrow Shares with the Escrow Agent, under this Agreement.

**Section 1.4 Disbursements**.

(a) Upon the earlier of termination of this Escrow Agreement pursuant to Section 1.6 hereof or joint written notice from the Shareholder Representative and RC, Escrow Agent shall release from the Escrow Shares to Shareholders, as their interests appear pursuant to the Liquidity Agreement and in proportion to the Escrow Shares deposit made by each such Shareholder, as the case may be, any portion of the Escrow Shares then remaining less the aggregate Maximum Claimed Amounts for all then outstanding claims ("**Outstanding Claims**") pursuant Section 1.3 of this Agreement asserted prior to the Termination Date.

(b) Upon receipt of a Conceded Amount Notice with respect to a particular Outstanding Claim, Escrow Agent shall promptly deliver to RC the Conceded Amount in accordance with Section 1.3(c) herein.

(c) Upon receipt of a Final Decision with respect to a particular Outstanding Claim, Escrow Agent shall promptly deliver to RC or the Shareholders, as their interests appear pursuant to the Liquidity Agreement and in proportion to the Escrow Shares deposit made by each such Shareholder, as the case may be, the Ordered Amount, if any, in accordance with Section 1.3(d) herein. Any court or arbitrator order shall be accompanied by an opinion of counsel for the presenting party that such order is final and non-appealable.

(d) In the event that the Parties jointly instruct Escrow Agent to disburse the Escrow Shares to any Party, Escrow Agent shall comply with such instructions, any provision herein to the contrary notwithstanding.

**Section 1.5 Value of Escrow Shares**. For purposes of this Agreement, the value of each Escrow Share shall be equal to the Agreed Parent Share Price of the Stock Consideration on the Closing Date under the Merger Agreement.

**Section 1.6 Termination.** This Escrow Agreement shall terminate upon the disbursement of all Escrow Shares pursuant to Section 1.3 or Section 1.4 hereof, at which time this Escrow Agreement shall be of no further force and effect except that the provisions of Sections 3.1 and 3.2 hereof shall survive termination.

## ARTICLE 2
## DUTIES OF THE ESCROW AGENT

**Section 2.1 Scope of Responsibility.** Notwithstanding any provision to the contrary, Escrow Agent is obligated only to perform the duties specifically set forth in this Escrow Agreement, which shall be deemed purely ministerial in nature. Under no circumstances will Escrow Agent be deemed to be a fiduciary to any Party or any other person under this Escrow Agreement. Escrow Agent will not be responsible or liable for the failure of any Party to perform in accordance with this Escrow Agreement. Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument, or document other than this Escrow Agreement, whether or not an original or a copy of such agreement has been provided to Escrow Agent; and Escrow Agent shall have no duty to know or inquire as to the performance or nonperformance of any provision of any such agreement, instrument, or document. References in this Escrow Agreement to any other agreement, instrument, or document are for the convenience of the Parties, and Escrow Agent has no duties or obligations with respect thereto. This Escrow Agreement sets forth all matters pertinent to the escrow contemplated hereunder, and no additional obligations of Escrow Agent shall be inferred or implied from the terms of this Escrow Agreement or any other agreement.

**Section 2.2 Attorneys and Agents.** Escrow Agent shall be entitled to rely on and shall not be liable for any action taken or omitted to be taken by Escrow Agent in accordance with the advice of counsel or other professionals retained or consulted by Escrow Agent.

Escrow Agent shall be reimbursed as set forth in Section 3.1 herein for any and all reasonable compensation (fees, expenses and other costs) paid and/or reimbursed to such counsel and/or professionals. Escrow Agent may perform any and all of its duties through its agents, representatives, attorneys, custodians, and/or nominees.

**Section 2.3 Reliance.** Escrow Agent shall not be liable for any action taken or not taken by it in accordance with the direction or consent of the Parties or their respective agents, representatives, successors, or assigns. Escrow Agent shall not be liable for acting or refraining from acting upon any notice, request, consent, direction, requisition, certificate, order, affidavit, letter, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, without further inquiry into the person's or persons' authority.

**Section 2.4 Right Not Duty Undertaken.** The permissive rights of Escrow Agent to do things enumerated in this Escrow Agreement shall not be construed as duties.

**Section 2.5 No Financial Obligation**. No provision of this Escrow Agreement shall require Escrow Agent to risk or advance its own funds or otherwise incur any financial liability or potential financial liability in the performance of its duties or the exercise of its rights under this Escrow Agreement.

## ARTICLE 3
## PROVISIONS CONCERNING ESCROW AGENT

**Section 3.1 Indemnification.** The Parties, jointly and severally, shall indemnify, defend and hold harmless Escrow Agent from and against any and all loss, liability, cost, damage and expense, including, without limitation, reasonable attorneys' fees and expenses or other professional fees and expenses which Escrow Agent may suffer or incur by reason of any action, claim or proceeding brought against Escrow Agent, arising out of or relating in any way to this Escrow Agreement or any transaction to which this Escrow Agreement relates, unless such loss, liability, cost, damage or expense shall have been finally adjudicated to have been directly caused by the willful misconduct or gross negligence of Escrow Agent. The provisions of this Section 3.1 shall survive the resignation or removal of Escrow Agent and the termination of this Escrow Agreement.

**Section 3.2 Limitation of Liability.** ESCROW AGENT SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY (I) DAMAGES, LOSSES OR EXPENSES ARISING OUT OF THE SERVICES PROVIDED HEREUNDER, OTHER THAN DAMAGES, LOSSES OR EXPENSES WHICH HAVE BEEN FINALLY ADJUDICATED TO HAVE DIRECTLY RESULTED FROM ESCROW AGENT'S BREACH OF THIS AGREEMENT, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, OR (II) SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR LOSSES OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION LOST PROFITS), EVEN IF ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION.

**Section 3.3 Resignation or Removal.** Escrow Agent may resign by furnishing written notice of its resignation to the Parties, and the Parties may remove Escrow Agent by furnishing to the Escrow Agent a joint written notice of its removal along with payment of all fees and expenses to which it is entitled through the date of termination. Such resignation or removal, as the case may be, shall be effective thirty (30) days after the delivery of such notice or upon the earlier appointment of a successor, and Escrow Agent's sole responsibility thereafter shall be to safely keep the Escrow Shares and to deliver the same to a successor escrow agent as shall be appointed by the Parties, as evidenced by a joint written notice filed with Escrow Agent or in accordance with a court order. If the Parties have failed to appoint a successor escrow agent prior to the expiration of thirty (30) days following the delivery of such notice of resignation or removal, Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon the Parties.

**Section 3.4 Compensation.** Escrow Agent shall be entitled to compensation for its services contemplated as set forth on **Exhibit A** to this Agreement, which compensation shall be paid by RC. The Parties agree that RC shall be responsible for all of the expenses or other amounts owed to Escrow Agent hereunder. The fee agreed upon for the services rendered hereunder is intended as full compensation for Escrow Agent's services as contemplated by this Escrow Agreement; provided, however, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or Escrow Agent renders any service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or Escrow Agent is made a party to any litigation pertaining to this Escrow Agreement or the subject matter hereof, then Escrow Agent shall be compensated for such extraordinary services and reimbursed for all reasonable costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event.

**Section 3.5 Disagreements.** If any conflict, disagreement or dispute arises between, among, or involving any of the parties hereto concerning the meaning or validity of any provision hereunder or concerning any other matter relating to this Escrow Agreement, or Escrow Agent is in doubt as to the action to be taken hereunder, Escrow Agent is authorized to retain the Escrow Shares until Escrow Agent (a) receives a final non-appealable order of a court of competent jurisdiction or a final non-appealable arbitration decision directing delivery of the Escrow Shares, (b) receives a written agreement executed by each of the parties involved in such disagreement or dispute directing delivery of the Escrow Shares, in which event Escrow Agent shall be authorized to disburse the Escrow Shares in accordance with such final court order, arbitration decision, or agreement, or (c) files an interpleader action in any court of competent jurisdiction, and upon the filing thereof, Escrow Agent shall be relieved of all liability as to the Escrow Shares and shall be entitled to recover attorneys' fees, expenses and other costs incurred in commencing and maintaining any such interpleader action. Escrow Agent shall be entitled to act on any such agreement, court order, or arbitration decision without further question, inquiry, or consent.

**Section 3.6 Merger or Consolidation.** Any corporation or association into which Escrow Agent may be converted or merged, or

with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which Escrow Agent is a party, shall be and become the successor escrow agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance of any further act.

**Section 3.7 Attachment of Escrow Shares; Compliance with Legal Orders.** In the event that any of the Escrow Shares shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the Escrow Shares, Escrow Agent is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the Parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

**Section 3.8 Force Majeure.** Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Escrow Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; acts of terrorism; civil or military disturbances; sabotage; epidemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

## ARTICLE 4
## MISCELLANEOUS

**Section 4.1 Successors and Assigns.** This Escrow Agreement shall be binding on and inure to the benefit of the Parties and Escrow Agent and their respective successors and permitted assigns. No other persons shall have any rights under this Escrow Agreement. No assignment of the interest of any of the Parties shall be binding unless and until written notice of such assignment shall be delivered to the other Party and Escrow Agent and shall require the prior written consent of the other Party and Escrow Agent (such consent not to be unreasonably withheld).

**Section 4.2 Escheat.** The Parties are aware that under applicable state law, property which is presumed abandoned may under certain circumstances escheat to the applicable state. Escrow Agent shall have no liability to the Parties, their respective heirs, legal representatives, successors and assigns, or any other party, should any or all of the Escrow Shares escheat by operation of law.

**Section 4.3 Notices.** All notices, requests, demands, and other communications required under this Escrow Agreement (each, a "**Notice**") shall be in writing, in English, and shall be deemed to have been duly given if delivered (a) personally, (b) by facsimile transmission with written confirmation of receipt, (c) by overnight delivery with a reputable national overnight delivery service, or (d) by mail or by certified mail, return receipt requested, and postage prepaid. If any Notice is mailed, it shall be deemed given five business days after the date such notice is deposited in the United States mail. Any Notice given shall be deemed given upon the actual date of such delivery. If any Notice is given to a party, it shall be given at the address for such party set forth below. It shall be the responsibility of the Parties to notify Escrow Agent and the other Party in writing of any name or address changes. In the case of any Notice delivered to Escrow Agent, such Notice shall be deemed to have been given on the date received by the Escrow Agent.

If to Teal or Shareholders:

Teal Drones, Inc.
5200 S. Highland Drive
Suite 201
Holladay, UT 84117
Phone: (801)706-6385
Attention: George Matus, CEO

With a copy (which shall not constitute notice) to:

Holland and Hart, LLP
222 South Main Street
Suite 2200
Salt Lake City, UT 84101
Phone: (801) 799-5861
E-mail: JPSteele@hollandhart.com
Attention: Jeffrey Steele, Esq.

If to RC:

Red Cat Holdings, Inc. 370 Harbour Drive Palmas del Mar
Humacao, Puerto Rico 00791

Attention: Jeffrey Thompson, CEO Tel: (833) 373-3228
Jeff@redcat.red

With a copy (which shall not constitute notice) to:

Law Office of Harvey Kesner 500 Fifth Avenue
Suite #938
New York, NY 10036 646-678-2543
Pdox74@gmail.com

If to Escrow Agent:

Equity Stock Transfer, LLC 237 W 37th St. Suite 602
New York, NY 10018 Attention: Nora Marckwordt, Director of Operations
Facsimile: 347.584.3644 nora@equitystock.com

With a copy to Shareholder Representative, if RC is giving the Notice to Escrow Agent. With a copy to RC, if any Shareholder is giving the Notice to Escrow Agent.

**Section 4.4 Governing Law.** This Escrow Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without reference to principles of conflicts of laws.

**Section 4.5 Entire Agreement.** This Escrow Agreement, together with the Merger Agreement, sets forth the entire agreement and understanding of the parties related to the Escrow Shares.

**Section 4.6 Amendment.** This Escrow Agreement may be amended, modified, superseded, rescinded, or canceled only by a written instrument executed by the Parties and Escrow Agent.

**Section 4.7 Waivers.** The failure of any party to this Escrow Agreement at any time or times to require performance of any provision under this Escrow Agreement shall in no manner affect the right at a later time to enforce the same performance. A waiver by any party to this Escrow Agreement of any such condition or breach of any term, covenant, representation, or warranty contained in this Escrow Agreement, in any one or more instances, shall neither be construed as a further or continuing waiver of any such condition or breach nor a waiver of any other condition or breach of any other term, covenant, representation, or warranty contained in this Escrow Agreement.

**Section 4.8 Headings.** Section headings of this Escrow Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions of this Escrow Agreement.

**Section 4.9 Counterparts.** This Escrow Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument. Counterparts delivered by facsimile, e-mail or other electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[The remainder of this page left intentionally blank.]*

**IN WITNESS WHEREOF**, this Escrow Agreement has been duly executed as of the date first written above.

**RED CAT HOLDINGS, INC.**

By: _____
Name: Jeffrey Thompson
Title: Chief Executive Officer

**TEAL ACQUISITION I, CORP.**

By: _____
Name: Jeffrey Thompson
Title: Chief Executive Officer

**TEAL DRONES, INC.**

By: _____

Name: George Matus
Title: Chief Executive Officer

_____
George Matus, individually and as duly appointed
representative of the Shareholders

ESCROW AGENT:

**EQUITY STOCK TRANSFER, LLC**

By: _____
Name: Mohit Bhansali
Title: Chief Executive Officer

**EXHIBIT A**

**FEES OF ESCROW AGENT**

Acceptance Fee: $1,500

Initial Fees as they relate to Equity Stock Transfer acting in the capacity of Escrow Agent
– includes creation and examination of the Escrow Agreement; acceptance of the Escrow appointment; setting up of the Escrow Account.

Annual Administration Fee: $1,500

For ordinary administration services by Escrow Agent – includes receiving, investing and disbursing funds pursuant to the requirements set forth in the escrow agreement.

Fees are due at the time of Escrow Agreement execution and annually thereafter. Fees will not be prorated in case of early termination.

Out-of-Pocket Expenses: At Cost

We only charge for out-of-pocket expenses in response to specific tasks assigned by the client. Therefore, we cannot anticipate what specific out-of-pocket items will be needed or what corresponding expenses will be incurred. Possible expenses would be, but are not limited to, express mail and messenger charges, travel expenses to attend closing or other meetings.

There are no charges for indirect-out-of-pocket expenses.

This fee schedule is based upon the assumptions listed above which pertain to the responsibilities and risks involved in Equity Stock undertaking the role of Escrow Agent. These assumptions are based on information provided to us as of the date of this fee schedule. Our fee schedule is subject to review and acceptance of the final documents. Should any of the assumptions, duties or responsibilities change, we reserve the right to affirm, modify or rescind our fee schedule. If the Account(s) does not open within three (3) months of the date shown below, this proposal will be deemed null and void. Interest shall accrue on all late payments at a rate of one (1%) percent per month until paid.

**Annex I**

**CLAIMS NOTICE**

Equity Stock Transfer, LLC 237 W 37th St.
Suite 602
New York, NY 10018 Attention: Nora Marckwordt, Director of Operations
Facsimile: 347.584.3644 nora@equitystock.com

Ladies and Gentlemen:

The undersigned, pursuant to Section 1.3(b) of the Escrow Agreement, dated as of _____ , by and among Red Cat Holdings, Inc., a Nevada corporation ("RC"); _____, a Nevada corporation; _____; Shareholder Representative, a citizen; and Equity Stock Transfer, LLC, as escrow agent (terms defined in the Escrow Agreement have the same meanings when used herein), hereby certifies that RC is or may be entitled to indemnification pursuant to Section 1.2(c) or Article 9 of the Merger Agreement in an amount

equal to $ (the "**Claimed Amount**"). RC further certifies that the nature of the Claim is as follows: [ ].

Dated: _____, 20__.

**Red Cat Holdings, Inc.**

By: _____
Name: _____
Title: _____

cc:

**Annex II**

**RESPONSE NOTICE**

Equity Stock Transfer, LLC 237 W 37th St.
Suite 602
New York, NY 10018 Attention: Nora Marckwordt, Director of Operations
Facsimile: 347.584.3644 nora@equitystock.com

Ladies and Gentlemen:

The undersigned, pursuant to Section 1.3(b) of the Escrow Agreement, dated as of _____ , by and among Red Cat Holdings, Inc., a Nevada corporation ("RC"); _____, a Nevada corporation; _____; Shareholder Representative, a citizen; and Equity Stock Transfer, LLC, as escrow agent (terms defined in the Escrow Agreement have the same meanings when used herein), hereby :

(a) concede liability [in whole for] [in part in respect of $_of] the Claimed Amount (the "**Conceded Amount**"), referred to in the Claims Notice dated _____, 20 ; [and] [or]

(b) deny liability [in whole for] [in part in respect of $_of] the Claimed Amount referred to in the Claims Notice dated _____, 20 .

Attached hereto is a description of the basis for the foregoing. Dated: _____, 20 .

cc: Red Cat Holdings, Inc.

**Annex III**

**CONCEDED AMOUNT NOTICE**

Equity Stock Transfer, LLC 237 W 37th St.
Suite 602
New York, NY 10018 Attention: Attention: Nora Marckwordt, Director of Operations
Facsimile: 347.584.3644 nora@equitystock.com

Ladies and Gentlemen:

The undersigned, pursuant to Section 1.3(b) of the Escrow Agreement, dated as of _____ , by and among Red Cat Holdings, Inc., a Nevada corporation ("RC"); _____, a Nevada corporation; _____; Shareholder Representative, a citizen; and Equity Stock Transfer, LLC, as escrow agent (terms defined in the Escrow Agreement have the same meanings when used herein), hereby jointly:

(a) certify that [a portion of] the Claimed Amount with respect to the matter described in the attached in the amount of $[_] (the "**Conceded Amount**") is owed to [_____]; and

(b) instruct you to promptly pay to [_____] from the Escrow Shares [insert amount pursuant to paragraph (a)] as soon as practicable following your receipt of this notice and, in any event, no later than five (5) business days following the date hereof.

Dated: _____, 20__.

**Red Cat Holdings, Inc.**

By: _____
Name: _____
Title: _____

# EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of September 1, 2021, by and between Red Cat Holdings, Inc., a Nevada corporation ("Company") and George Matus, an individual ("Matus"). As used herein, the "Effective Date" shall be September 1, 2021.

**W I T N E S S E T H**:

WHEREAS Matus desires to be employed by the Company as CEO of Teal Drones and the Company wishes to employ Matus in such capacity; and

NOW, THEREFORE, in consideration of the foregoing and their respective covenants and agreements contained in this document the Company and Matus hereby agree as follows:

1. **Employment and Duties**. The Company agrees to employ, and Matus agrees to serve as CEO of Teal Drones. The duties and responsibilities of Matus shall include the duties and responsibilities as the executive management Red Cat may from time to time assign to Matus. Matus shall devote all his business time and best efforts to the performance of his duties under this Agreement and shall be subject to, and shall comply with the Company policies, practices and procedures and all codes of ethics or business conduct applicable to his position, as in effect from time to time.

2. **Term**. The term of this Agreement shall commence on the Effective Date and shall continue for a period of one (1) year following the Effective Date and shall be automatically renewed for successive one (1) year periods thereafter unless either party provides the other party with notice of his or its intention not to renew this Agreement. "Employment Period" shall mean the initial one (1) year term plus renewals, if any.

3. **Base Salary**. The Company agrees to pay Matus a base salary ("Base Salary") equal to $130,000 per annum. The Base Salary shall be paid in periodic installments in accordance with the Company's regular payroll practices. If Matus' employment is terminated for any reason, Matus shall be entitled to the accrued salary through the termination date.

    a. Bonus.
        i. If Teal Drones revenues exceed $2.5 million during the period from September 1, 2021, to December 31, 2021, Matus' base salary will increase to $150,000 on January 1, 2022.
        ii. If Teal Drones' revenues exceed $9 million during the period from January 1, 2022, to December 31, 2022, Matus' base salary will increase to $170,000 on January 1, 2023.

    b. Restricted Stock Units and Options. Matus shall be issued the Restricted Stock Units and the options set forth in Exhibits A and B, respectively. In addition, Matus will be eligible for bonus grants of awards under the Company's 2019 Equity Incentive Plan (or any successor or replacement plan adopted by the Board and approved by the stockholders of the Company) (the "Plan") as the Compensation Committee or Board may from time to time determine (the "Share Awards "). ShareAwards shall be subject to the applicable Plan terms and conditions, provided, however, that ShareAwards shall be subject to any additional terms and conditions as are provided herein or in any award, Board resolution or certificate(s), which shall supersede any conflicting provisions governing.
        i. See *Exhibit A "Restricted Stock Units"*
        ii. See *Exhibit B "Stock Options"*

    c. For purposes of Internal Revenue Code Section 280G ("Section 280G"), the Company agrees that the Executive's bonus terms and equity awards that require services to the Company after the Closing and, where applicable, achievement of performance metrics, including without limitation the Restricted Stock Units set forth in Exhibit A, will be treated as reasonable compensation for future services and not contingent payments that might be "parachute payments" for the purposes of Section 280G.

4. **Severance Compensation**.

    a. Upon termination of employment for any reason other than by the Company for Cause or by Matus without Good Reason, Matus shall sign a full release and be entitled to 12- months' severance of his base salary paid in accordance with normal pay periods.

    b. Upon termination of employment for cause, Matus shall not be entitled to severance but rather paid the accrued payroll earned.

    c. "Cause" means Matus': (i) indictment, plea of no contest, guilty, or similar plea deal, or conviction of (x) a felony or (y) a crime involving fraud, embezzlement, or other crime that, in the Company's reasonable discretion, will materially negatively impact the Company or its image, (ii) willful disregard of, or his willful failure to perform, his material duties under this Agreement or his willful disregard of the reasonable written policies of the Company, which, if curable, is not cured by Matus within thirty (30) days after delivery of notice by the Company of such breach, or (iii) material violation of any of the covenants and conditions of this Agreement (provided that, if such violation can be cured,, Matus shall have a period of thirty (30) days after delivery of notice by the Company of such breach.

    d. "Good Reason" shall mean: (i) a reduction of Matus' salary and bonus eligibility, provided, however, that other similarly situated employees of the Company are not subject to a similar reduction in salary and bonus eligibility; (ii) a material diminution of Matus' authority, duties, or responsibilities, provided that Matus gives the Company written notice of such material diminution and a 30-day period in which to cure such action and, if the Company cures the action, then Good Reason shall not exist; or (iii) a change in Matus' principal place of work to a location greater than thirty (30) miles from Matus' principal place of work immediately prior to such a change, provided that Matus does not consent to such change.

5. **Clawback Rights**. Any bonus, and any and all stock based compensation (such as options and equity awards) (collectively, the "Clawback Benefits") shall be subject to "Clawback Rights" as follows: during the period that Matus is employed by the Company and upon the termination of Matus' employment and for a period of three (3) years thereafter, if there is a restatement of any financial results from which any metrics were determined to be achieved which were the basis of the granting and calculation of such Clawback Benefits to Matus, Matus agrees to repay any amounts which were determined by reference to any Company financial results which were later restated (as defined below), to the extent the Clawback Benefits amounts paid exceed the Clawback Benefits amounts that would have been paid, based on the restatement of the Company's financial information. All Clawback Benefits amounts resulting from such restated financial results shall be retroactively adjusted by the Compensation Committee to take into account the restated results, and any excess portion of the Clawback Benefits resulting from such restated results shall be immediately surrendered to the Company and if not so surrendered within ninety (90) days of the revised calculation being provided to Matus by the Compensation Committee following a publicly announced restatement, the Company shall have the right to take any and all action to effectuate such adjustment. The calculation of the revised Clawback Benefits amount shall be determined by the Compensation Committee in good faith and in accordance with applicable law, rules, and regulations. All determinations by the Compensation Committee with respect to the Clawback Rights shall be final and binding on the Company and Matus. The Clawback Rights shall terminate following a Change of Control as defined in Section 11(f), subject to applicable law, rules, and regulations. For purposes of this Section 7, a restatement of financial results that requires a repayment of a portion of the Clawback Benefits amounts shall mean a restatement resulting from material non-compliance of the Company with any financial reporting requirement under the federal securities laws and shall not include a restatement of financial results resulting from subsequent changes in accounting pronouncements or requirements which were not in effect on the date the financial statements were originally prepared ("Restatements"). The parties acknowledge it is their intention that the foregoing Clawback Rights as relates to Restatements conform in all respects to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and require recovery of all "incentive-based" compensation, pursuant to the provisions of the Dodd-Frank Act and all rules and regulations promulgated thereunder from time to time in effect. Accordingly, the terms and provisions of this Agreement shall be deemed automatically amended from time to time to assure compliance with the Dodd-Frank Act and such rules and regulations as hereafter may be adopted and in effect.

6. **Expenses**. Matus shall be entitled to reimbursement by the Company for all ordinary and necessary travel, entertainment, and other expenses incurred by Matus while employed (in accordance with the policies and procedures established by the Company) in the performance of his duties and responsibilities under this Agreement; provided, that Matus shall get preapproval and properly account for such expenses in accordance with Company policies and procedures.

7. **Other Benefits**. During the term of this Agreement, Matus shall be eligible to participate in benefits as the Company makes such opportunities available to the Company's salaried employees.

8. **Vacation**. During the term of this Agreement, Matus shall be entitled to accrue, on a pro rata basis, twenty-one (21) paid vacation days per year. Vacation shall be taken at such times as are mutually convenient to Matus and the Company.

9. **Termination of Employment**.

(a) Death. If Matus dies during the Employment Period, this Agreement and the employment with the Company shall automatically terminate.

(b) Disability. If during the term of this Agreement Matus shall be prevented from performing his essential functions hereunder to the full extent required by the Company by reason of Disability (as defined below), this Agreement and Matus' employment with the Company shall automatically terminate. "Disability" shall mean a physical or mental disability that prevents the performance by Matus, with or without reasonable accommodation, of his essential functions hereunder for an aggregate of ninety (90) days or longer during any twelve (12) consecutive months. The determination of Matus' Disability shall be made by an independent physician who is reasonably acceptable to the Company and Matus (or his representative), be final and binding on the parties hereto and be made taking into account such competent medical evidence as shall be presented to such independent physician by Matus and/or the Company or by any physician or group of physicians or other competent medical experts employed by Matus and/or the Company to advise such independent physician.

(c) At Will. Upon termination, the Company shall have no further obligations or liability to Matus or his heirs, administrators, or executors with respect to compensation and benefits thereafter, except for the obligation to pay Matus pursuant to Section 4. The Company shall deduct from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

10. **Non-Solicitation/Non-Competition**.

During Matus' employment with the Company, and for (12) twelve months following the last day of employment with the Company (the "Restricted Period"), Matus will not, except with prior written approval of the Company's President, directly or indirectly, individually or as part of or on behalf of any other person, company, employer or other entity: (a) induce, hire, or attempt to solicit for hire, or encourage to end their relationship with the Company, any persons who have been employed by the Company at any time within the previous six (6) months; (b) induce, solicit, or attempt to induce or solicit, any customer, supplier, licensee, or business relation of the Company to cease doing business with the Company or to interfere in any way with the Company's relationship with any customer, supplier, licensee, or business relation; (c) directly or indirectly, alone or as a consultant, partner, officer, director, employee, joint ventures, lender or stockholder of any entity, accept employment with, or otherwise provide services to, any business or entity that is engaged in any product and/or service line of the Company that exists or is in the process of being formed or acquired during the time that Employee is providing services with the Company, with respect to which (A) Matus is actively engaged or (B) the Matus has learned or received Confidential Information, anywhere within a 250 mile radius of the Company or one of its subsidiary offices at the time of termination (a "Competitor"); provided that the Matus may be a stockholder of a publicly-held Competitor if the Matus' ownership of such Competitor does not exceed two percent (2%) of the issued and outstanding shares of the Competitor.

Matus agrees that these provisions are necessary to protect the Company's legitimate business interests. Matus warrants that the provisions will not unreasonably interfere in his ability to earn a living or to pursue his occupation after the Termination Date. Matus agrees to notify any person or entity to which he provides services during the Restricted Period of his obligations under this Section.

**11. Assignment**

(a) Proprietary Rights. For the purposes of this Agreement, "Proprietary Rights" include, without limitation, the results and products of my work, creative effort and employment activity, any and all patent rights, copyrights, trade secret rights, know-how, technology, inventions (whether patentable or not), discoveries, improvements, information, ideas, designs, writings, formulas, processes, drawings, software, data, as well as any other subject matter susceptible of protection as intellectual property, together with all documentation, records, and tangible embodiments thereof in whatever media, format or wherever located.

(b) Company's Proprietary Rights. The Company's Proprietary Rights include any Proprietary Rights with respect to which Matus participated in the conception, development, or reduction to practice during the period of his employment with the Company: i. that relate, at the time of conception, development, or reduction to practice, to the Company's current or anticipated future business, or actual or demonstrably anticipated research or development; ii. that were developed, in whole or in part, on the Company's time or with the use of any of the Company's equipment, supplies, facilities, trade secret information or Proprietary Information; or iii. that resulted from any work I performed for the Company. Matus understands that the provisions of this Agreement requiring assignment of Inventions to the Company do not apply to any invention that qualifies fully under the provisions of Utah Code Title 34, Chapter 39, Section 3 (copy available upon request). Matus will advise the Company promptly in writing of any inventions that Matus believes meet the criteria in Utah Code Title 34, Chapter 39, Section 3 and are not otherwise disclosed on Exhibit C.

(c) Works for Hire. Matus acknowledges that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment, and which are protectable by copyright are "works made for hire" pursuant to the United States Copyright Act (17 U.S.C. Section 101).

(d) Disclosure of Prior Inventions. Inventions, if any, patented or unpatented, which Matus made prior to the commencement of employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, Matus has set forth in Exhibit C (Prior Inventions) attached hereto a complete list of all Inventions that Matus alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of employment with the Company, that Matus considers to be his property or the property of third parties and that Matus wishes to have excluded from the scope of this Agreement (collectively referred to as "Prior Inventions"). If disclosure of any such Prior Invention would cause Matus to violate any prior confidentiality agreement, Matus understands that he is not to list such Prior Inventions in Exhibit C but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit C for such purpose. If no such disclosure is attached, Matus represents that there are no Prior Inventions. If, in the course of employment with the Company, Matus incorporates a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use, and sell such Prior Invention. Notwithstanding the foregoing, Matus agrees that he will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without prior written consent.

12. **Confidential Information**.

(a) Disclosure of Confidential Information. Matus recognizes, acknowledges, and agrees that he has had and will continue to have access to secret and confidential information regarding the Company and Company, its subsidiaries, and their respective businesses ("Confidential Information"), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information is not in or does not hereafter become part of the public domain, or become known to others through no fault of Matus. Matus acknowledges that such information is of great value to the Company and Company, is the sole property of the Company and Company, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Company herein, Matus will not, at any time, during or after his employment hereunder, reveal, divulge, or make known to any person, any information acquired by Matus during his employment, which is treated as confidential by the Company, and not otherwise in the public domain. The provisions of this Section 12 shall survive the termination of Matus' employment hereunder.

Matus affirms that he does not possess and will not rely upon the protected trade secrets or confidential or proprietary information of any prior employer(s) in providing services to the Company or its subsidiaries.

In the event that Matus' employment with the Company terminates for any reason, Matus shall deliver forthwith to the Company any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, Matus shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

**NOTICE OF IMMUNITY UNDER THE DEFEND TRADE SECRETS ACT.** The Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016, states at 18 U.S.C. § 1833(b):

"An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal."

Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Furthermore, an employee also has the right to disclose trade secrets in a document filed in a lawsuit for retaliation against such reporting, but only if (a) the filing is made under seal and (b) the trade secret is not disclosed except pursuant to a court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b)

**13. Section 409A.**

The provisions of this Agreement are intended to comply with or are exempt from Section 409A of the Code ("Section 409A") and the related Treasury Regulations and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The Company and Matus agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions necessary, appropriate, or desirable to avoid imposition of any additional tax under Section 409A or income recognition prior to actual payment to Matus under this Agreement.

It is intended that any expense reimbursement made under this Agreement shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made under this Agreement shall be determined to be "deferred compensation" subject to Section 409A ("Deferred Compensation"), then (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year (provided that this clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect) and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense was incurred.

With respect to the time of payments of any amount under this Agreement that is Deferred Compensation, references in the Agreement to "termination of employment" and substantially similar phrases, including a termination of employment due to Matus' Disability, shall mean "Separation from Service" from the Company within the meaning of Section 409A (determined after applying the presumptions set forth in Treasury Regulation Section 1.409A-1(h)(1)). Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short- term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if Matus is a "specified employee" within the meaning of Section 409A at the time of Matus termination, then only that portion of the severance and benefits payable to Matus pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered Deferred Compensation (together, the "Deferred Separation Benefits"), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following Matus' termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Separation Benefits more than the Section 409A Limit otherwise due to Matus on or within the six (6) month period following Matus' termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of Matus' termination of employment. All subsequent Deferred Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Matus dies following termination but prior to the six (6) month anniversary of Matus' termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Matus' death and all other Deferred Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, "Section 409A Limit" shall mean a sum equal to (x) the amounts payable within the terms of the "short-term deferral" rule under Treasury Regulation Section 1.409A- 1(b)(4) plus (y) the amount payable as "separation pay due to involuntary separation from service" under Treasury Regulation Section 1.409A-1(b)(9)(iii) equal to the lesser of two (2) times: (i) Matus' annualized compensation from the Company based upon his annual rate of pay during Matus' taxable year preceding his taxable year when his employment terminated, as determined under Treasury Regulation 1.409A- 1(b)(9)(iii)(A)(1); and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Matus' employment is terminated.

14. **Miscellaneous**.

(a) Neither Matus nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided, however, that the Company shall have the right to delegate its obligation of payment of all sums due to Matus hereunder, provided that such delegation shall not relieve the Company of any of its obligations hereunder.

(b) This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to Matus' employment by the Company, supersedes all prior understandings and agreements, whether oral or written, between Matus and the Company, and shall not be amended, modified, or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(c) This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

(d) The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by reputable national overnight delivery service (e.g., Federal Express) for overnight delivery to the party at the address set forth in the preamble to this Agreement, or to such other address as either party may hereafter give the other party notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date received or the third business day after deposited in the mail or one business day after deposited with an overnight delivery service for overnight delivery.

(f) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of Delaware for any disputes arising out of this Agreement, or Matus' employment with the Company. The prevailing party in any dispute arising out of this Agreement shall be entitled to his or its reasonable attorney's fees and costs.

(g) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instruments. The parties hereto have executed this Agreement as of the date set forth above.

(h) Matus represents and warrants to the Company, that he has the full power and authority to enter into this Agreement and to perform his obligations hereunder and that the execution and delivery of this Agreement and the performance of his obligations hereunder will not conflict with any agreement to which Matus is a party.

(i) The Company represents and warrants to Matus that it has the full power and authority to enter into this Agreement and to perform its obligations hereunder and that the execution and delivery of this Agreement and the performance of its obligations hereunder will not conflict with any agreement to which the Company is a party.

IN WITNESS WHEREOF, Matus and the Company have caused this Matus Employment Agreement to be executed as of the date first above written.

**[Signature page follows immediately]**

COMPANY:
RED CAT HOLDINGS, INC.

By:

Name: Jeff Thompson Title: CEO

EMPLOYEE:

George Matus By:

Name: George Matus Title: CEO, Teal Drones

## EXHIBIT A

**Restricted Stock Units**

400,000 shares of restricted common stock. 25% shall vest upon the closing of the acquisition, 25% shall vest 12 months thereafter, then 6.25% quarterly until fully vested.

**Restricted Stock Unit Vesting Accelerators**

- 50% of outstanding shares shall vest 12-months from the effective date, if the trailing 12 month's revenue is greater than $10 million.
- 100% of outstanding shares shall vest 24-months from the effective date, if trailing 12-month's revenue is greater than $15 million.

***25% margin must be maintained for accelerators to be implemented.***

## EXHIBIT B

**Stock Options**

If by September 1, 2023, the below revenue targets are attained with a margin equal to or greater than 25%, the corresponding stock option amount shall be granted.

- Additional 150,000 options at $13 million in revenue
- Additional 150,000 options at $18 million in revenue
- Additional 150,000 options at $25 million in revenue
- Additional 150,000 options at $30 million in revenue

*A 25% margin must be maintained for the additional option grant. All options will have a 90-day vesting*

*schedule once granted.*

*If Red Cat CEO or COO agree in writing that Teal Drones revenue is more important than maintaining a minimum 25% margin, the reduced margin will not impact the option grants.*

**EXHIBIT C**
**Prior Inventions**

Below is a complete list of all inventions that Matus alone or jointly with others, conceived, developed, or reduced to practice or caused to be conceived, developed, or reduced to practice prior to the commencement of employment with the Company. Matus considers these inventions to be his property or the property of third parties and wishes to have excluded from the scope of this Agreement (collectively referred to as "Prior Inventions").

# Red Cat Holdings Closes Acquisition of Teal Drones

*Expansion into military sector represents compelling growth opportunity*

**HUMACAO, Puerto Rico, September 1st, 2021** -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or the "Company"), a hardware-enabled software provider to the drone industry, announces the closing of its acquisition of Teal Drones ("Teal"), a leader in commercial and government unmanned aerial vehicle ("UAV") technology. Teal manufactures the Golden Eagle, one of only five drones approved by the U.S. Department of Defense for reconnaissance, public safety, and inspection applications.

"This acquisition solidifies our leadership position within the drone industry, as it completes our ability to provide end-to-end solutions. We can offer both consumer and enterprise drones with an extensive suite of additional software and hardware options and other technologies, along with an approved line of military drones for public safety, reconnaissance and inspection applications," commented Jeffrey Thompson, Red Cat's Chief Executive Officer. "Teal's approval from the Pentagon provides a strategic advantage as the military continues to expand its deployment of drones."

Teal, a Utah-based company founded in 2015, has grown from its origins as a consumer-oriented company into one focusing on the enterprise and government sectors. Teal is redefining what unmanned systems can achieve, providing superior aerial surveillance and awareness for inspections and short-range reconnaissance. Its leading-edge, compliant unmanned systems inform and protect Fortune 500 companies and government agencies with scalable, secure, and rugged drone technology. Teal's open and modular platform allows a critical mass of applications to be developed and integrated for next-generation capabilities. Partners actively integrating technologies with Teal include Autonodyne, Tomahawk Robotics, and DroneLink.

"Teal's prime directives since the beginning were simple: Rebuild the American drone industrial base and accelerate the global adoption of drones across Enterprise and Defense markets. This acquisition represents the best way Teal will fulfill its mission, leveraging Red Cat's expertise and resources to deploy the best unmanned systems in the world, giving superhuman capabilities to commercial operators and military warfighters alike," said George Matus, founder and Chief Executive Officer of Teal."

Teal will anchor the Enterprise Segment at Red Cat that also includes Skypersonic, a remote inspection company. Companies in Red Cat's Consumer Segment include Fat Shark, a drone imaging and communication company and Rotor Riot, which focuses on first person view drones and equipment for the consumer segment. Collectively, the group of complementary companies offers a comprehensive and diversified array of technologies targeted at all segments of the growing drone industry, with a special emphasis on military applications and infrastructure inspections.

**About Red Cat Holdings, Inc.**
Red Cat provides products, services and solutions to the drone industry through its four wholly owned subsidiaries. Fat Shark Holdings is the leading provider of First Person View (FPV) video goggles to the drone industry. Rotor Riot, LLC is a leader in the sale of FPV drones and equipment, primarily to the consumer marketplace through its digital storefront located at www.rotorriot.com. Rotor Riot enjoys high visibility in social media through its Facebook page and its sponsorship of a professional drone racing team that has won numerous championships. Skypersonic provides software and hardware solutions that enable drones to complete inspection services in locations where GPS is not available, yet still record and transmit data even while being operated from thousands of miles away. Teal Drones is a leader in commercial and government unmanned aerial vehicle technology and the manufacturer of Golden Eagle, one of only five U.S. Department of Defense-approved drones designed for reconnaissance, public safety, and inspection applications. Red Cat Propware is developing a Software-as-a-Solution ("SaaS") platform to provide drone flight data analytics and storage, as well as diagnostic products and services. Learn more at https://www.redcatholdings.com/.

**Forward Looking Statements**
This press release contains "forward-looking statements" that are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this press release are forward-looking statements. Forward-looking statements contained in this press release may be identified by the use of words such as "anticipate," "believe," "contemplate," "could," "estimate," "expect," "intend," "seek," "may," "might," "plan," "potential," "predict," "project," "target," "aim," "should," "will" "would," or the negative of these words or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are based on Red Cat Holdings, Inc.'s current expectations and are subject to inherent uncertainties, risks and assumptions that are difficult to predict. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. These and other risks and uncertainties are described more fully in the section titled "Risk Factors" in the final prospectus related to the public offering filed with the Securities and Exchange Commission. Forward-looking statements contained in this announcement are made as of this date, and Red Cat Holdings, Inc. undertakes no duty to update such information except as required under applicable law.

Contact:
INVESTORS:
CORE IR
Phone: (516) 222-2560
E-mail: Investors@redcat.red