

**Term Sheet Between the
San Antonio Economic Development Corporation (SAEDC) and Covalor Medical, LLC**

Covalor Medical agrees to enter into an Economic Development Agreement with the SAEDC and to do the Following:

- Locate Covalor and its principal executive offices (i.e., CEO) in San Antonio no later than June 30 2015 and execute a minimum lease of 2 years with the option to extend the lease up to 5 years and maintain the same in San Antonio for 5 years following commencement of business activities.
- The CEO of Covalor must permanently reside in San Antonio or the surrounding area throughout the Term.
- Covalor must secure a cumulative matching investment of \$750,000 over three years.
- Cause TheraNova LLC to relocate three startup companies (Perikinetics, Gravitas and Mimetix Bioengineering) to San Antonio to be organized as Texas entities and assign ownership of all of the intellectual property and patent rights related to these companies to Covalor for the purpose of conducting business activities in San Antonio.
- Cause Ardent Biomedical to transfer the ownership, intellectual and related assets to Covalor.
- No later than June 30, 2015 and for a minimum of five years following commencement of business activities, establish and conduct in San Antonio meaningful business activities involving the development and manufacturing support for up to Class III medical devices.
- No later than March 31, 2017, create a minimum of 15 full-time jobs in San Antonio, through Covalor's related business activities to include incubated companies and projects located within Covalor facility in San Antonio, and any related spin out companies located in San Antonio in which Covalor owns a material interest and maintain these jobs for up to five years following commencement of business activities in San Antonio.
- Pay a minimum average annual salary of \$50,000 for all full-time jobs.
- Invest a minimum of \$500,000 annually, including SAEDC funds, in its meaningful business activities in San Antonio for five years following commencement of business activities.
- Enter into a Company Agreement with the SAEDC to add the SAEDC as a member of Covalor Medical, LLC and provide the SAEDC with a percentage of membership interest in Covalor, reasonably acceptable to the SAEDC, based on the valuation of Covalor following the closing of a

planned 2014 private equity offering, additional consideration and concessions delivered by Covalor and SAEDC's planned investment of \$1,750,000, with vesting to occur concurrent with payments.

- Provide the SAEDC a nonvoting advisory seat on the Covalor Board of Directors.
- Provide the SAEDC a semiannual report on jobs and investment and business activities.
- At the end of five years and upon the request of the SAEDC or at any time in the case of a default in the material terms of the Economic Development Agreement, Covalor would buyback the SAEDC's membership interest in Covalor payable over 5 years at a price equal to the greater of: (1) the value of SAEDC's membership interest in Covalor based on the company's then current valuation or (2) the amount of SAEDC's invested funds plus interest at 5% per annum.

Subject to Approval and Appropriation of Funds by City Council, the SAEDC Agrees to:

- Execute an Economic Development Agreement with Covalor and invest \$1,750,000 in Covalor in three installments over three fiscal years with an initial payment of \$750,000 conditioned upon Covalor's satisfaction of the following:
 - The company formation of Covalor with license to do business in Texas;
 - The CEO for Covalor having established permanent residency in San Antonio or surrounding area;
 - Covalor having located its headquarters and principal executive offices in San Antonio and executed a minimum lease of 2 years with the option to extend the lease up to 5 years;
 - Covalor having secured matching investment or grants of \$250,000;
 - Covalor having received a Certificate of Occupancy from the City of San Antonio and commenced business activities in San Antonio;
 - TheraNova LLC having relocated Perikinetics, Gravitas and Mimetix Bioengineering to San Antonio to be organized as Texas entities and having transferred the ownership of all intellectual property and patent rights related to these companies to Covalor.
 - Ardent Biomedical having transferred to Covalor the ownership of all intellectual property and related assets.
- Make a second payment of \$500,000 to Covalor no earlier than October 31, 2015, conditioned upon evidence of Covalor: (1) securing an additional \$250,000 in matching investment or grants for a cumulative total of \$500,000; (2) conducting meaningful business activities in San Antonio; (3) having collectively created and maintained 10 full-time jobs in San Antonio paying an average annual salary of at least \$50,000; and (4) having cumulatively invested \$750,000, including SAEDC funds, in meaningful business activities in San Antonio.

- Make a third and final payment of \$500,000 to Covalor no earlier than October 31, 2016 and conditioned upon evidence of Covalor: (1) securing an additional \$250,000 in matching investment or grants for a cumulative total of \$750,000; (2) continuing to conduct meaningful business activities in San Antonio; (3) having collectively created and maintained 15 full-time jobs in San Antonio paying an average annual salary of at least \$50,000; and (4) having cumulatively invested \$1,000,000, including SAEDC funds, in meaningful business activities in San Antonio.
- Assist Covalor in securing any other available State, City and Bexar County incentives related to the establishment of its business activities in San Antonio.