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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

**December 5, 2006 (November 29, 2006)**  
*Date of Report (Date of earliest event reported)*



**EMCORE CORPORATION**

*Exact Name of Registrant as Specified in its Charter*

<b>New Jersey</b>	<b>0-22175</b>	<b>22-2746503</b>
<i>State of Incorporation</i>	<i>Commission File Number</i>	<i>IRS Employer Identification Number</i>

**145 Belmont Drive, Somerset, New Jersey, 08873**  
*Address of principal executive offices, including zip code*

**(732) 271-9090**  
*Registrant's telephone number, including area code*

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:

- ☐ 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))
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On November 29, 2006, EMCORE Corporation, a New Jersey corporation ("EMCORE") and WorldWater and Power Corp., a Delaware corporation ("WorldWater" and together with EMCORE, the "Parties"), entered into an Investment Agreement (the "Investment Agreement"), a Registration Rights Agreement (the "Registration Right Agreement") and a Letter Agreement (the "Letter Agreement", and together with the Investment Agreement and Registration Rights Agreement, the "Agreements"). The Boards of Directors of EMCORE and WorldWater each approved the Agreements.

Pursuant to the Investment Agreement, EMCORE agreed to invest \$18.0 million (the "Investment") in return for (i) six million, five hundred and twenty-three thousand, eight hundred and ten (6,523,810) shares of Series D Preferred Convertible Stock of WorldWater, par value \$0.01 per share (the "Series D Stock") and (ii) six hundred and sixty-eight thousand, one hundred and thirty-nine (668,139) warrants to purchase six hundred and sixty-eight thousand, one hundred and thirty-nine (668,139) shares of Series D Stock (the "Warrants"). The Series D Stock and Warrants to be received by EMCORE are equivalent to an approximately thirty-one percent (31%) equity ownership in WorldWater, or approximately twenty-six and half percent (26.5%) on a fully diluted basis.

On November 29, 2006, EMCORE invested \$13.5 million in WorldWater, representing the first tranche of its \$18.0 million investment, in return for which WorldWater issued to EMCORE (i) four million, eight hundred and ninety two thousand, eight hundred and fifty seven (4,892,857) shares of Series D Preferred Stock and (ii) five hundred and five thousand and forty-four (505,044) warrants (the "Tranche A Warrants") to purchase five hundred and five thousand and forty-four (505,044) shares of Series D Stock.

The investment of the remaining \$4.5 million second tranche (the "Tranche B Closing") will be consummated once a definitive strategic agreement between the Parties is executed and certain other conditions set forth in the Investment Agreement are satisfied. The Parties currently expect the execution of the definitive strategic agreement and the Tranche B Closing to occur before the end of the year. At the Tranche B Closing, WorldWater will issue to EMCORE (i) an additional one million, six hundred and thirty thousand, nine hundred and fifty-three (1,630,953) shares of Series D Preferred Stock and (ii) one hundred and sixty-three thousand and ninety-five (163,095) warrants to purchase one hundred and sixty-three thousand and ninety-five (163,095) shares of Series D Stock.

In the Investment Agreement, WorldWater and EMCORE made customary representations, warranties and covenants and WorldWater agreed to indemnify EMCORE against certain potential losses incurred in connection with its investment in WorldWater. Pursuant to the terms of the Investment Agreement, EMCORE has been granted the following rights, among others: (i) the right to participate pro-rata in future financings and equity issuances by WorldWater; (ii) certain rights to obtain information regarding the financial results, financial performance, business and operations of WorldWater; and (iii) the right to nominate and appoint two individuals to WorldWater's Board of Directors.

The Series D Stock has the designations, preferences and rights set forth in the certificate of designation filed with the Secretary of State for the State of Delaware on November 29, 2006 (the "Certificate of Designation"). Pursuant to the Certificate of Designation, holders of Series D Stock have the following rights, among others: (i) the sole right and discretion to convert their shares of Series D Stock at any time and from time to time into such number of fully paid and non-assessable shares of common stock, par value \$0.001, of WorldWater (the "Common Stock") initially equal to such number of shares of Series D Stock multiplied by ten, subject to certain adjustments as more fully set forth in the Certificate of Designation including weighted average anti-dilution rights, (ii) the right to vote together with the holders of Common Stock as a single class on all matters submitted for a vote of holders of Common Stock, (iii) for so long as the beneficial ownership by the holders of Series D Stock (on a fully-diluted basis) does not fall below ten percent (10%) of the then outstanding shares of Common Stock, the exclusive right to elect two members of the Board of Directors of WorldWater, (iv) for so long as the beneficial ownership by the holders of Series D Stock (on a fully-diluted basis) is between five percent (5%) and ten percent (10%) of the then outstanding shares of Common Stock, the exclusive right to elect one member of the Board of Directors of WorldWater, (v) certain liquidation preferences as detailed in the Certificate of Designation and (vi) the right to receive dividends in an amount equal to the amount of dividends that such holder would have received had the holder converted its shares of Series D Stock into shares of Common Stock as of the date immediately prior to the record date for such dividend.

In addition, pursuant to the terms of the Certificate of Designation for so long as any shares of Series D Stock remain outstanding, WorldWater is prohibited, without the written consent or affirmative vote of the holders of at least three-quarters of the outstanding shares of Series D Stock, voting as a single class, from taking certain actions that are enumerated in the Certificate of Designation, including, among others: (i) authorizing, creating or issuing any class of capital stock having any preference or priority over, or parity with, the Series D Stock, (ii) increasing or decreasing the size of the WorldWater's Board of Directors or (iii) amending, altering, or repealing any provision of WorldWater's certificate of incorporation or bylaws in a manner adverse to the holders of Series D Stock.

The Warrants have an exercise price of three dollars and seventeen cents (\$3.17), subject to certain adjustments as more fully set forth in the instrument governing the warrants, and permit the holder to purchase shares of Series D Stock (the "Warrant Instrument"). The Tranche A Warrants are exercisable at the sole right and discretion of EMCORE at any time and from time to time prior to 5.00 P.M., New York City time on the 29<sup>th</sup> day of November 2016.

The Letter Agreement (i) defines the scope and key terms of the strategic relationship to be embodied in a strategic agreement between the Parties and (ii) sets forth certain binding purchase and supply obligations of the Parties, including a contract, pursuant to which EMCORE will be WorldWater's exclusive supplier of high-efficiency multi-junction solar cells, assemblies and concentrator subsystems, valued at up to one hundred million (\$100,000,000) over the next three (3) years. In the Investment Agreement, the Parties agreed to negotiate in good faith and use commercially reasonable efforts to enter into a definitive strategic agreement as soon as practicable, but no later than January 31, 2007. Pursuant to the Registration Rights Agreement, EMCORE has received shelf, demand and piggy-back registration rights.

The Investment Agreement, Registration Rights Agreement, Letter Agreement, the Warrant Instrument and Certificate of Designation have been attached to provide investors with information regarding their terms. They are not intended to provide any other factual information about EMCORE or WorldWater. In particular, the assertions embodied in the representations and warranties contained in the Investment Agreement are qualified by information in confidential disclosure schedules provided by WorldWater to EMCORE in connection with the signing of the Investment Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Investment Agreement. Accordingly, you should not rely on the representations and warranties in the Investment Agreement as characterizations of the actual state of facts about EMCORE or WorldWater.

**ITEM 8.01. OTHER EVENTS.**

On November 30, 2006, EMCORE issued a press release announcing its entry into the transactions contemplated by the Investment Agreement and the Letter Agreement. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

**(d) Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Investment Agreement between WorldWater and Power Corp. and EMCORE Corporation, dated November 29, 2006 <sup>(1)</sup>
10.2	Registration Rights Agreement between WorldWater and Power Corp. and EMCORE Corporation, dated November 29, 2006.
10.3	Letter Agreement between WorldWater and Power Corp. and EMCORE Corporation, dated November 29, 2006. Confidential Treatment has been requested by the Company with respect to portions of this document. Such portions are indicated by "*****".
99.1	Press Release, dated November 30, 2006, issued by EMCORE Corporation.
99.2	Form of Warrant to Purchase Series D Convertible Preferred Stock of WorldWater and Power Corp.
99.3	Certificate Of Designations, Preferences and Rights of Series D Convertible Preferred Stock Of WorldWater and Power Corp.

(1) The schedules to the Investment Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. EMCORE will furnish copies of any such schedules to the U.S. Securities and Exchange Commission upon request.

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**SIGNATURE**

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.

**EMCORE CORPORATION**

By: /s/ Thomas G. Werthan

Name: Thomas G. Werthan

Title: Chief Financial Officer

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Dated: December 5, 2006

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## EXHIBIT INDEX

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**INVESTMENT AGREEMENT**  
**BY AND BETWEEN**  
**WORLDWATER AND POWER CORP.**  
**AND**  
**EMCORE CORPORATION**

Dated as of November 29, 2006

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## INVESTMENT AGREEMENT

This INVESTMENT AGREEMENT (this "Agreement"), dated as of November 29, 2006, by and between WorldWater and Power Corp., a Delaware corporation (the "Company"), and EMCORE Corporation, a New Jersey corporation (the "Investor"). Certain terms used and not otherwise defined in the text of this Agreement are defined in Section 1 of this Agreement.

### W I T N E S S E T H

WHEREAS, the Company desires to issue and to sell to the Investor, and the Investor desires to purchase from the Company, the Securities (as hereinafter defined) in accordance with the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties and covenants herein contained, the parties hereto hereby agree as follows:

#### 1. Definitions

. Unless the context otherwise requires, the terms defined in this Section 1 shall have the meanings specified for all purposes of this Agreement.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by or, is under common control with, such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") as used with respect to any Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and/or policies of such Person, whether through ownership of voting securities, by Contract or otherwise.

"Agreed Allocation" has the meaning assigned to it in Section 4(c) hereof.

"Balance Sheet" has the meaning assigned to it in Section 6.6 hereof.

"Benefit Plans" has the meaning assigned to it in Section 6.19(a) hereof.

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

"Business Day" means any day, except a Saturday or Sunday or legal holiday on which banking institutions in The City of New York are authorized or obligated by Law or executive order to close.

"Business Premises" has the meaning assigned to it in Section 6.24(c) hereof.

"Certificate of Designation" has the meaning assigned to it in Section 3 hereof.

"Certificate of Incorporation" means the Company's Certificate of Incorporation, as amended.

"Certifications" has the meaning assigned to it in Section 6.7 hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means common stock, par value \$0.001 per share, of the Company.

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

"Company Loss" has the meaning assigned to it in Section 10.2(b) hereof.

"Company Permit" means all licenses, registrations, franchises, permits, certificates and approvals granted by or obtained from any Governmental Entity and used by the Company or any of its Subsidiaries in connection with the conduct of their businesses.

"Company Stock Option Plan" has the meaning assigned to it in Section 6.3(b) hereof.

"Confidentiality Agreement" means the Confidentiality Agreement dated October 9, 2006 between the Company and the Investor.

"Contract" means, with respect to any Person, any agreement, arrangement, undertaking, contract, commitment, obligation, promise, indenture, deed of trust or other instrument, document or agreement (whether written or oral) by which that Person, or any amount of its present or future properties or assets, is bound or subject.

"Conversion Shares" has the meaning assigned to it in Section 3 hereof.

"Disclosure Schedule" means the disclosure schedule hereto delivered by the Company to the Investor.

"Entech" has the meaning assigned to in Section 8.10 hereof.

"Entech Financing" has the meaning assigned to it in Section 8.10 hereof.

"Environmental Condition" means the presence of any Hazardous Material or of any wetland or endangered or threatened species or habitat. However, the presence in the ordinary course of business of solid waste at the location of its generation pending its proper disposal to an appropriately licensed third-party site in the ordinary course of business consistent with all applicable Law does not, without more, constitute an "Environmental Condition."

"Environmental Requirement" means any federal, state, local or foreign statute, treaty, ordinance, rule, regulation, policy, common Law, permit or order relating to any Environmental Subject Matter.

"Environmental Subject Matter" means (a) any Hazardous Material, (b) any release or threatened Release of a Hazardous Material from, to or through any location, (c) the generation, treatment, storage, presence, disposal, use, handling, manufacturing, transporting or shipment by any Person of any Hazardous Material, (d) natural resources, (e) wetlands, (f) an endangered or threatened species or habitat, (g) odor, noise, air, water or soil or (h) any OSHA and similar state Law requirements.

"Environmental Laws" has the meaning assigned to it in Section 6.24(a) hereof.

"ERISA" has the meaning assigned to it in Section 6.19(a) hereof.

"ERISA Affiliate" has the meaning assigned to it in Section 6.19(a) hereof.

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

"Financial Statement Losses" means any adverse impact to the Investor's financial statements, including, without limitation, any increase in costs, expenses, charges, reserves or liabilities or decrease in profits or assets (not giving effect to any positive impact arising from matters unrelated to the Investor Losses); it being the intent of the Parties that if an indemnifiable event occurs which negatively impacts the Company with the result that the financial statements of the Investor are adversely impacted, the Company shall indemnify the Investor for such Financial Statement Losses.

"Financial Statements" has the meaning assigned to it in Section 6.6 hereof.

"Fully-Diluted Basis" has the meaning assigned to it in Section 8.12(d) hereof.

"GAAP" means United States generally accepted accounting principles consistently applied.

"Governmental Entity" means any national, federal, state, municipal, local, territorial, foreign or other government or any department, commission, board, bureau, agency, regulatory authority or instrumentality thereof, or any court, judicial, administrative or arbitral body or public or private tribunal.

"Hazardous Material" means any hazardous material, hazardous substance, hazardous waste, toxic substance, toxic pollutant, contaminant, petroleum (including crude oil and any fractions thereof), natural or synthetic gas or any mixture thereof, asbestos, asbestos containing material, PCB or materials or objects containing PCB, medical waste, infectious waste, lead containing paint, radioactive material and any material or substance defined as a "hazardous material" or "hazardous substance" or similar term in any Environmental Requirement.

"Indebtedness" means, with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof, but if not to the whole of the assets, a pro rata amount of such obligations equal to such portion thereof); (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all reimbursement obligations of such Person in respect of letters of credit, letters of guaranty, bankers' acceptances and similar credit transactions; (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services; (v) the capitalized portion of any obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, (vi) all obligations of a Person other than the Company or one of its Subsidiaries that is secured by a Lien on any asset of the Company or one of its Subsidiaries; (vii) all Indebtedness of others guaranteed by such Person to the extent of such guarantee; (viii) all obligations of such Person pursuant to hedging agreements, swap agreements, collar agreements, forward Contracts, commodity swap and option agreements; (ix) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person; and (x) any off-balance sheet receivables financing arrangements.

"Indemnified Party" has the meaning assigned to it in Section 10.2(c) hereof.

"Indemnifying Party" has the meaning assigned to it in Section 10.2(a) hereof.

"Intellectual Property" shall mean all intellectual property and industrial property rights of any kind or nature, including all U.S. and foreign (i) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof ("Patents"), (ii) trademarks, service marks, names, corporate names, trade names, domain names, logos, slogans, trade dress, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("Trademarks"), (iii) copyrights, copyrightable subject matter and mask works ("Copyrights"), (iv) rights of publicity, (v) moral rights and rights of attribution and integrity, (v) computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, technology supporting the foregoing, and all documentation, including user manuals and training materials, related to any of the foregoing ("Software"), (vi) trade secrets and all other confidential information, know-how, inventions, proprietary processes, formulae, models, and methodologies ("Trade Secrets"), (vii) rights of privacy and rights to personal information, (viii) telephone numbers and Internet protocol addresses, (ix) all rights in the foregoing and in other similar intangible assets, (x) all applications and registrations for the foregoing, and (xi) all rights and remedies against past, present, and future infringement, misappropriation, or other violation thereof.

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

"Investor Loss" has the meaning assigned to it in Section 10.2(a) hereof.

"IP Contracts" has the meaning assigned to it in Section 6.9(b) hereof.

"Law" means any law (including common law), ordinance, writ, directive, judgment, order, decree, injunction, statute, treaty, rule or regulation or determination of (or an agreement with) an arbitrator or a Governmental Entity.

"Liability" means any debt, liability, commitment, obligation, claim or cause of action of any kind whatsoever, whether due or to become due, known or unknown, accrued or fixed, absolute or contingent, or otherwise.

"Lien" means, with respect to any asset or security, any mortgage, lien, pledge, charge, understanding or arrangement imposing a restriction on title or use, security interest, encumbrance or restriction on title or transfer of any kind in respect of such asset or security.

"Loss" has the meaning assigned to it in Section 10.2 (b) hereof.

"Material Adverse Effect" means, with respect to the Company, any fact, event, circumstance, change, condition or effect that, individually or together with other facts, events, circumstances, changes, conditions or effects (i) has been or could reasonably be expected to be material and adverse to the business, assets, value, properties, liabilities, prospects, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole, whether related specifically to the Company and its Subsidiaries or to more generally applicable facts, events, changes or effects or (ii) has or could reasonably be expected to materially delay the consummation of the transactions contemplated hereby or by the Transaction Documents or materially and adversely affect the ability of the Company and its Subsidiaries, taken as a whole, to perform timely its obligations under this Agreement or under any of the Transaction Documents.

"Material Contract" has the meaning assigned to it in Section 6.10(a) hereof.

"Permitted Transferee" has the meaning assigned to it in Section 11.4 hereof.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, incorporated organization, association, corporation, institution, Governmental Entity or any other entity.

"Preemptive Rights Notice" has the meaning assigned to it in Section 8.12(a) hereof.

"Preemptive Rights Offer" has the meaning assigned to it in Section 8.12(a) hereof.

"Preferred Shares" has the meaning assigned to it in Section 3 hereof.

"Purchase Price" has the meaning assigned to it in Section 4(b) hereof.

"Real Property" has the meaning assigned to it in Section 6.23(a) hereof.

"Registration Rights Agreement" means the Registration Rights Agreement in the form attached hereto as Exhibit A.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, migration, leaching, placing, discarding, dumping or disposing of any Hazardous Material into the environment. However, the act of disposing of Hazardous Materials in accordance with applicable Environmental Requirements to a third-party site licensed to accept such Hazardous Materials for disposal does not, without more, constitute a "Release."

"SEC" means the U.S. Securities and Exchange Commission.

"SEC Documents" has the meaning assigned to it in Section 6.7 hereof.

"Securities" means the Tranche A Securities and the Tranche B Securities.

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

"Series D Preferred Stock" means Series D preferred stock, par value \$0.01, of the Company.

"SPV" has the meaning assigned to it in Section 8.10 hereof.

"Strategic Agreement" means the Strategic Agreement to be entered into by the Company and the Investor with respect to the matters set forth on Exhibit B.

"Subsidiary" means, with respect to any Person, any corporation, association trust, limited liability company, partnership, joint venture or other business association or entity (i) at least 50% of the outstanding voting securities of which are at the time owned or controlled directly or indirectly by such Person or (ii) with respect to which the Company possesses, directly or indirectly, the power to direct or cause the direction of the affairs or management of such Person.

"Tax" or "Taxes" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum,

estimated or other tax of any kind whatsoever, including any interest, penalties or additions thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claims" has the meaning assigned to it in Section 10.2(c) hereof.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq SmallCap Market, the American Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the OTC Bulletin Board.

"Tranche A Closing" has the meaning assigned to it in Section 5(a) hereof.

"Tranche A Closing Date" has the meaning assigned to it in Section 5(b) hereof.

"Tranche A Purchase Price" has the meaning assigned to it in Section 4(a) hereof.

"Tranche A Securities" has the meaning assigned to it in Section 4(a) hereof.

"Tranche A Shares" has the meaning assigned to it in Section 4(a) hereof.

"Tranche A Warrants" has the meaning assigned to it in Section 4(a) hereof.

"Tranche B Closing" has the meaning assigned to it in Section 5(a) hereof.

"Tranche B Closing Date" has the meaning assigned to it in Section 6 hereof.

"Tranche B Purchase Price" has the meaning assigned to it in Section 4(b) hereof.

"Tranche B Securities" has the meaning assigned to it in Section 4(b) hereof.

"Tranche B Shares" has the meaning assigned to it in Section 4(b) hereof.

"Tranche B Warrants" has the meaning assigned to it in Section 4(b) hereof.

"Transaction Documents" means this Agreement, the Warrant Instrument, the Registration Rights Agreement, and the Strategic Agreement.

"Unaudited Balance Sheets" has the meaning assigned to it in Section 6.6 hereof.

"Unaudited Financial Statements" has the meaning assigned to it in Section 6.6 hereof.

"Underlying Shares" means the shares of Common Stock issuable upon conversion of the shares of Series D Preferred Stock.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the primary Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. EST to 4:02 p.m. Eastern Time) using the VAP function; (b) if the Common Stock is not then listed or quoted on the Trading Market and if prices for the Common Stock are then reported in the "Pink Sheets" published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (c) in all other cases, the fair market value of a share of Common Stock as determined by a nationally recognized-independent appraiser selected in good faith by the Investor.

"Warrant Instrument" has the meaning assigned to it in Section 3 hereof.

"Warrants" has the meaning assigned to it in Section 3 hereof.

## 2. General Rules of Interpretation

(a) When a reference is made in this Agreement to "recitals," "Sections," "Exhibits" or "Disclosure Schedule," such reference shall be to a recital or Section of, or Exhibits or Disclosure Schedule to, this Agreement unless otherwise indicated.

(b) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation."

(c) References herein to “transactions contemplated by this Agreement” or to “transactions contemplated hereby” shall be deemed to include a reference to each transaction contemplated by or provided for in this Agreement and any instruments, certificates, documents or agreements, including the Transaction Documents, entered into or contemplated to be entered into in connection herewith.

(d) Except as otherwise expressly provided, all accounting terms used in this Agreement shall be construed in accordance with GAAP.

(e) The Company and the Investor acknowledge that they have been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of Law, or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it, has no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the intent of the Investor and the Company.

(f) Whenever this Agreement shall require a party to take an action, such requirement shall be deemed to include an undertaking by such party to use its reasonable best efforts to cause its representatives to take all necessary and appropriate action in connection therewith.

(g) A reference to a statute, listing rule, rule, standard, regulation or other Law includes a reference to the corresponding rules and regulations and includes a reference to each of them as amended, consolidated, replaced or rewritten from time to time.

(h) The singular includes the plural and conversely.

(i) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(j) A reference to a party to this Agreement or another agreement or document includes the party’s successors, permitted substitutes and permitted assigns (and, where applicable, the party’s legal personal representatives).

(k) A reference to the “knowledge” of Investor means the actual knowledge of any of the "officers" (as such term is defined in Rule 16(a)-1(f) promulgated under the Exchange Act) or directors of the Investor. A reference to the “knowledge” of the Company means the actual knowledge that was or would reasonably be expected to be obtained after due inquiry of any employees, officers or directors of the Company.

(l) The use of “or” is not intended to be exclusive unless expressly so indicated.

### 3. Authorization of the Shares

. On or prior to the Tranche A Closing, the Company shall have authorized (a) the initial sale and issuance to the Investor of six million, five hundred and twenty-three thousand, eight hundred and ten (6,523,810) shares of Series D Preferred Stock (the "Preferred Shares"), (b) the issuance of six hundred and sixty-eight thousand, one hundred and thirty-nine (668,139) warrants to purchase an aggregate of up to six hundred and sixty-eight thousand, one hundred and thirty-nine (668,139) shares of Series D Preferred Stock (the "Warrants") and (c) the reservation for issuance of shares of Common Stock upon exercise and conversion of the Warrants and conversion of the Preferred Shares of up to seventy-one million, nine hundred and nineteen thousand, four hundred and ninety (71,919,490) shares of Common Stock (the "Conversion Shares") based on the current conversion ratio of 10 shares of Common Stock for each share of Series D Preferred Stock. The Preferred Shares shall have the rights, preferences, privileges and restrictions set forth in the Certificate of Designation of the Series D Preferred Stock of the Company in the form attached hereto as Exhibit C (the "Certificate of Designation"). The Warrants shall have the rights, preferences, privileges and restrictions set forth in the form attached hereto as Exhibit D (the "Warrant Instrument"). The Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Certificate of Incorporation.

### 4. Sale and Purchase

(a) Subject to the terms and conditions hereof, at the Tranche A Closing the Company shall issue and sell to the Investor, and the Investor shall purchase from the Company four million, eight hundred and ninety two thousand, eight hundred and fifty seven (4,892,857) shares of Series D Preferred Stock (the "Tranche A Shares") at a price of \$2.76 per share and five hundred and five thousand and forty-four (505,044) Warrants (the "Tranche A Warrants", and together with the Tranche A Shares, the "Tranche A Securities") for no additional consideration for an aggregate consideration of thirteen million five hundred thousand dollars (\$13,500,000) (the "Tranche A Purchase Price"). The parties agree that five hundred thousand dollars (\$500,000) of the Tranche Purchase Price has already been paid by the Investor to the Company. As such at the Tranche A Closing the Investor needs to deliver thirteen million dollars (\$13,000,000) (the "Remaining Tranche A Purchase Price").

(b) Subject to the terms and conditions hereof, at the Tranche B Closing the Company shall issue and sell to the Investor and the Investor shall purchase from the Company one million, six hundred and thirty thousand, nine hundred and fifty-two (1,630,952) shares of Series D Preferred Stock (the "Tranche B Shares") at a price per share of \$2.76 per share and one hundred and sixty-three thousand and ninety-five (163,095) Warrants (the "Tranche B Warrants", and together with the Tranche B Shares, the "Tranche B Securities") for no additional consideration for an aggregate consideration of four million five hundred thousand dollars (\$4,500,000) (the "Tranche B Purchase Price", and together with the Tranche A Purchase Price, the "Purchase Price").

(c) The Company will not make any allocation of the Purchase Price paid by the Investor between the Preferred Shares and the Warrants without the Investor's concurrence thereto in writing (the "Agreed Allocation") and shall prepare and file all Tax Returns on a basis consistent with the Agreed Allocation and shall take no position inconsistent with the Agreed Allocation in any proceeding before any taxing authority or for any other Tax purpose, unless otherwise required to do so by applicable Law.

## 5. Closing

(a) Closing. The delivery of the certificates representing the Tranche A Securities, payment by the Investor of the Remaining Tranche A Purchase Price and all other instruments required by this Agreement (the "Tranche A Closing") shall take place at 10:00 a.m. on the date of execution of the Agreement at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, NY 10036, or at such other time or place as the Company and the Investor may mutually agree. The delivery of the certificates representing the Tranche B Securities, payment by the Investor of the Tranche B Purchase Price and all other instruments required by this Agreement (the "Tranche B Closing") will occur on the second Business Day following the satisfaction or waiver of the conditions set forth in Section 9 hereof or such other date as is mutually agreed upon by the parties at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, NY 10036, or at such other time or place as the Company and the Investor may mutually agree.

### (b) Delivery.

- (1) At the Tranche A Closing, subject to the terms and conditions hereof, the Company will deliver to the Investor the Tranche A Securities, by delivery of a certificate or certificates evidencing the Tranche A Shares and Tranche A Warrants, free and clear of any Liens, and the Investor will make payment to the Company of the Remaining Tranche A Purchase Price by wire transfer of immediately available funds to an account designated by the Company.
- (2) At the Tranche A Closing the Company shall also deliver to the Investor (i) a true and complete copy, certified by the Secretary of the Company, of the resolutions duly and validly adopted by the Board of Directors evidencing its authorization of the execution and delivery of this Agreement, the Transaction Documents and the consummation of the transactions contemplated hereby and thereby, including the filing of the Certificate of Designation with the Secretary of State of the State of Delaware and the issuance of the Securities, (ii) a duly executed copy of the Registration Rights Agreement, (iii) a duly executed copy of the Certificate of Designation filed with and certified by the Secretary of State of the State of Delaware, (iv) a good standing certificate from the Secretary of State of the state of Delaware and each state in which the Company is qualified as a foreign corporation to do business, (v) a legal opinion from Salvo, Landau, Gruen & Rogers in the form attached hereto as Exhibit H and (vi) an officer's certificate executed by its chief executive officer certifying that (a) the Company shall have performed in all material respects each of its obligations hereunder and under each of the Transaction Documents required to be performed by it at or prior to the date of the Tranche A Closing (the "Tranche A Closing Date"), and shall have obtained all consents and approvals required for the consummation of the transactions contemplated to be consummated at the Tranche A Closing, and (b) the representations and warranties of the Company contained in this Agreement and in any certificate or other writing delivered by the Company pursuant hereto shall be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at and as of the Tranche A Closing Date as if made at and as of the Tranche A Closing Date, except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a Material Adverse Effect.
- (3) At the Tranche A Closing the Investor shall also deliver to the Company a duly executed copy of the Registration Rights Agreement.
- (4) At the Tranche B Closing, subject to the terms and conditions hereof, the Company will deliver to the Investor the Tranche B Securities, by delivery of a certificate or certificates evidencing the Tranche B Shares and the Tranche B Warrants, free and clear of any Liens, and the Investor will make payment to the Company of the Tranche B Purchase Price by wire transfer of immediately available funds to an account designated by the Company.
- (5) At the Tranche B Closing the Company shall also deliver to the Investor (i) a duly executed copy of the Strategic Agreement, (ii) a good standing certificate from the Secretary of State of the state of Delaware and each state in which the Company is qualified as a foreign corporation to do business, (iii) a legal opinion from Salvo, Landau, Gruen & Rogers in the form attached hereto as Exhibit I and (iv) the certificate referred to in Section 9.2(c) hereof.
- (6) At the Tranche B Closing the Investor shall also deliver to the Company a duly executed copy of the Strategic Agreement and the certificate referred to in Section 9.3(b) hereof.

## 6. Representations and Warranties by the Company

. Except as specifically set forth in the Disclosure Schedule, the Company represents and warrants to the Investor that all of the statements contained in this Section 6 are true and complete as of the date of this Agreement and that all of the statements contained in this Section 6 will be true and complete as of the date of the Tranche B Closing (the "Tranche B Closing Date") as though made on the Tranche B Closing Date (except to the extent expressly made only as of the earlier date, in which case as of such earlier date).

### 6.1 Organization

. The Company and each of its Subsidiaries (a) is a corporation, limited liability company or other legal entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization or formation, (b) is duly qualified to do business as a foreign corporation and

is in good standing in each jurisdiction where the nature of the property owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect, (c) has its principal place of business and chief executive office at 55 Route 31 South, Pennington, New Jersey, NJ 08534, and (d) has the requisite corporate power and authority to own or lease and operate its assets and carry on its business as presently being conducted.

## 6.2 Authorization and Enforceability

The Company has all requisite corporate power and authority to enter into this Agreement, the Transaction Documents and to consummate all of the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by the Company of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly and validly executed and delivered by the Company and, when executed, each other Transaction Document to which it is a party will be duly and validly executed and delivered by the Company, and, assuming due and valid execution and delivery by the Investor, will constitute the legal, valid and binding obligation of the Company, each enforceable against the Company in accordance with their respective terms, subject to Laws of general application relating to bankruptcy, insolvency, and the relief of debtors and other Laws of general application affecting enforcement of creditors' rights generally, rules of Law governing specific performance, injunctive relief and other equitable remedies. The execution, delivery and performance of this Agreement, and the Transaction Documents to which the Company is a party and all other instruments, agreements, certificates and documents contemplated hereby and thereby by the Company and the performance of the transactions contemplated hereby and thereby will not result in the creation or imposition of any Lien upon the Common Stock, the Securities or any other security of the Company or any of its Subsidiaries.

## 6.3 Capitalization

(a) The authorized capital of the Company consists of (i) two hundred seventy-five million (275,000,000) shares of Common Stock, \$.001 par value per share; (ii) ten million (10,000,000) shares of Preferred Stock, \$.01 par value per share, of which (A) no shares are designated Series A Preferred Stock, (B) six hundred eleven thousand, one hundred and eleven (611,111) shares are designated Series B Convertible Preferred Stock and (C) seven hundred fifty thousand (750,000) shares are designated Series C Convertible Preferred Stock. As of the date hereof, without giving effect to the consummation of the transactions contemplated herein, there are outstanding one hundred forty-six million, five hundred forty-seven thousand, two hundred seventy-five (146,547,275) shares of Common Stock, zero (0) shares of Series A Preferred Stock, six hundred eleven thousand, one hundred and eleven (611,111) shares of Series B Preferred Stock and seven hundred fifty thousand (750,000) shares of Series C Preferred Stock, and the Company has no other shares of capital stock authorized, issued or outstanding.

(b) As of close of business on the date prior to the date hereof: (i) thirteen million, three hundred thirty-nine thousand, three hundred thirty-one (13,339,331) shares of Common Stock are issuable upon the exercise of outstanding options to purchase Common Stock under the 1999 Incentive Stock Option Plan, as amended (the "Company Stock Option Plan", each option a "Company Option"), (ii) eleven million, four hundred seventy-nine thousand, five hundred and fifty (11,479,550) shares of Common Stock are vested and exercisable as of the date hereof, (iii) six million, nine hundred sixty-five thousand, two hundred ninety-two (6,965,292) shares of Common Stock are available for future grants under the Company Stock Option Plan, (iv) twenty-one million, six hundred eighty thousand, seven hundred four (21,680,704) shares of Common Stock are issuable upon the exercise of any company warrants (each a "Company Warrant"), and (v) five million, six hundred eighty-eight thousand, one hundred thirty-six (5,688,136) shares of Common Stock are issuable upon the exercise of convertible loans or other debts or similar instruments (each, a "Company Debt Instrument"). Section 6.3(b) of the Company Disclosure Schedule sets forth a list of each outstanding Company Option, Company Warrant and Company Debt Instrument, stating: (a) the name of the holder of such Company Option, Company Warrant or Company Debt Instrument, (b) the number of shares of Common Stock subject to such Company Option, Company Warrant or Company Debt Instrument, (c) the exercise price of such Company Option, Company Warrant or Company Debt Instrument, (d) the date on which such Company Option, Company Warrant or Company Debt Instrument was granted or issued, (e) the extent to which such Company Option, Company Warrant or Company Debt Instrument is vested and exercisable as of the date hereof, and (f) the date on which such Company Option, Company Warrant or Company Debt Instrument expires.

(c) A correct and complete list of all Subsidiaries of the Company, their respective jurisdictions of organization and the jurisdictions in which each is qualified and is required to be qualified to do business is set forth in Section 6.3 (c) of the Disclosure Schedule. Except as set forth in Section 6.3 (c) of the Disclosure Schedule, (a) each of the Subsidiaries of the Company is wholly-owned by the Company, directly or indirectly, free and clear of any Liens and (b) the Company does not own, directly or indirectly, any capital stock of, or any other securities convertible or exchangeable into or exercisable for capital stock of, any Person other than the Subsidiaries of the Company.

(d) Except as set forth in Section 6.3(b) of the Disclosure Schedule, (i) there are no outstanding options, warrants, convertible loans, debt or similar instruments, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exercisable or exchangeable for, any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock, nor are any such issuances or arrangements contemplated, (ii) there are no securities or instruments containing antidilution or similar provisions that will be triggered by the issuance of the Securities in accordance with the terms of this Agreement or the issuance of the Warrant Shares in accordance with the Warrants, (iii) neither the Company nor any of its Subsidiaries has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof and (iv) neither the Company nor any of its Subsidiaries has reserved any shares of capital stock for issuance pursuant to any stock option plan or similar arrangement. The capitalization of the Company, including, without limitation, the authorized capital stock, the number of shares issued and outstanding, the number of shares issuable and reserved for issuance pursuant to the Company's stock option plans, the number of shares issuable and reserved for issuance pursuant to securities (other than the Tranche A Securities and the Tranche B Securities) exercisable for, or convertible into or exchangeable for any shares of capital stock and the number of shares that have been reserved for issuance at the Tranche A Closing and the Tranche B Closing is set forth in Section 6.3(b) of the Disclosure Schedule. Except as set forth in Section 6.3(b) of the Disclosure Schedule, there are no voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the issued and outstanding securities of the Company or any of its Subsidiaries.

(e) As of the date hereof, no Indebtedness or other equity of the Company is senior to, or pari passu with, the Securities in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than Indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(f) Except as provided in the final sentence of this subparagraph (f), since January 1, 2003, the exercise price of each Company Option has been no less than the fair market value of a share of Common Stock as determined on the date of grant of such Company Option. Since January 1, 2003, all grants of Company Options were validly issued and properly approved by the Board of Directors (or a duly authorized committee or subcommittee thereof) in compliance with all applicable legal requirements and recorded on the Financial Statements (as defined in Section 6.6) in accordance with GAAP, and to the extent any such grants involved any "back dating," "forward dating" or similar practices with respect to the effective date of grant (collectively "Violative Actions"), such Violative Actions were unintentional and are not material in the aggregate. As of the date hereof, each Company Option has the exercise price and is held by the holder set forth on Section 6.3(f) of the Disclosure Schedule.

(g) All of the holders of the Series B Convertible Preferred Stock have failed to convert such shares of preferred stock into shares of Common Stock in accordance with the terms of their issuance. The right to convert the shares of Series B Convertible Preferred Stock into shares of Common Stock expired on September 8, 2003. The total amount payable by the Company with respect to the Series B Convertible Preferred Stock is six hundred and seventy-four thousand and forty-four dollars (\$674,044), which includes accrued dividends as of the date hereof of one hundred and twenty-four thousand and forty-four dollars (\$124,044).

#### 6.4 Due Issuance and Authorization of Capital Stock

. All of the outstanding shares of capital stock of the Company and each of its Subsidiaries have been duly authorized, validly issued and are fully paid and nonassessable. The Securities have been duly authorized and upon issuance in accordance with the terms of this Agreement or the Warrants (as applicable), all such Securities will be duly authorized, validly issued, fully paid and nonassessable. The sale and delivery of the Preferred Shares and the Warrants to the Investor pursuant to the terms hereof, and the issuance of the shares of Series D Preferred Stock to the Investor upon exercise of the Warrants, will vest in the Investor legal and valid title to such securities, free and clear of any Lien.

#### 6.5 Consents

. Neither the execution, delivery or performance of this Agreement or any other Transaction Document by the Company, nor the consummation by it of the obligations and transactions contemplated hereby or thereby (including, without limitation, the issuance, the reservation for issuance and the delivery of the Securities and the Conversion Shares) requires any consent of, authorization by, exemption from, filing with or notice to any Governmental Entity, the shareholders of the Company or any other Person, other than the filings under applicable securities Laws required to comply with the Company's registration obligations under the Registration Rights Agreement.

#### 6.6 Financial Statements

. The audited consolidated balance sheet of the Company as of December 31, 2005 (the "Balance Sheet"), and audited consolidated statements of income and retained earnings and cash flows of the Company for the year ended December 31, 2005 (collectively with the Balance Sheet, the "Financial Statements"), together with an unqualified opinion thereon from the Company's independent accountants, are contained in the Company's SEC Documents (as defined below). The Company has caused to be delivered to the Investor unaudited consolidated balance sheets of the Company as of March 31, 2006, as of June 30, 2006 and as of September 30, 2006 (the "Unaudited Balance Sheets") and unaudited consolidated statements of income and retained earnings and cash flows of the Company for the three months ended March 31, 2006, the six months ended June 30, 2006 and the nine months ended September 30, 2006 (collectively with the Unaudited Balance Sheet, the "Unaudited Financial Statements"). The Financial Statements and Unaudited Financial Statements have been prepared from, are in accordance with and accurately reflect, the books and records of the Company and have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except (x) as may be otherwise indicated in such financial statements or the notes thereto, or (y) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the consolidated financial position of the Company as of the dates thereof and its consolidated results of operations and cash flows for the periods then ended (subject, in the case of Unaudited Financial Statements, to immaterial year-end audit adjustments).

#### 6.7 SEC Documents.

(a) Except as set forth in Section 6.7 of the Disclosure Schedule, since January 1, 2003, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and after January 1, 2003, and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered or otherwise made available to the Investor true and complete copies of the SEC Documents, except the exhibits and schedules thereto and the documents incorporated therein. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act or the Securities Act, as the case may be, applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, 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 light of the circumstances under which they were made, not misleading. The chief executive officer and the chief financial officer of the Company has each signed, and the Company has furnished to the SEC, all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 (the "Certifications"). Such Certifications contain no qualifications or exceptions to the matters certified therein and have not been modified or withdrawn, and neither the Company nor any of its officers have received notice from any Governmental Entity questioning or challenging the accuracy, completeness, content, form or manner of filing or submission of such Certifications. Since the adoption of the Sarbanes-Oxley Act, the Company has complied in all material respects with the Laws, rules and regulations thereunder. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC applicable with respect thereto.

(b) The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to comply with all legal and accounting requirements applicable to the Company and such Subsidiary. The Company has disclosed in the SEC Documents, based on its most recent evaluation thereof, any significant deficiencies in its internal accounting controls which would reasonably be expected to adversely affect in any material respect the Company's ability to record, process, summarize and report financial data and neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any representative of the Company or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices.



## 6.8 No Conflicts

. The execution, delivery and performance of this Agreement and each other Transaction Document, and the consummation of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance, as applicable, of the Securities and the Conversion Shares) will not (a) result in a violation of the certificate of incorporation or by-laws of the Company or any of its Subsidiaries, (b) except as set forth in Section 6.8 of the Disclosure Schedule, materially conflict with or result in the material breach of the terms, conditions or provisions of or constitute a material default (or an event which with notice or lapse of time or both would become a material default) under, or give rise to any right of termination, acceleration or cancellation under, any Contract to which the Company or any of its Subsidiaries is a party, (c) result in a material violation of any Law, rule, regulation, order, judgment or decree (including, without limitation, U.S. federal and state securities Laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, or (d) result in the creation of any material Lien upon any of the assets of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries is in violation of the certificate of incorporation or by-laws, and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which, with notice or lapse of time or both, would cause the Company or any of its Subsidiaries to be in material default) under, nor has there occurred any event giving others (with notice or lapse of time or both) any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party.

## 6.9 Intellectual Property

(a) Section 6.9(a) of the Disclosure Schedule sets forth a true, correct, and complete list of all U.S. and foreign (i) issued Patents and Patent applications, (ii) Trademark registrations and applications and material unregistered trademarks, (iii) copyright registrations and applications and material unregistered copyrights, and (iv) material Software, in each case which is owned or purported to be owned by the Company or any of its Subsidiaries. The Company or one of its Subsidiaries is the sole and exclusive beneficial and record owner of all of the Intellectual Property items set forth in Section 6.9(a) of the Disclosure Schedule, and all such Intellectual Property is subsisting, valid, and enforceable.

(b) Section 6.9(b) of the Disclosure Schedule sets forth a true, correct, and complete list of all Contracts to which the Company or one of its Subsidiaries is a party or otherwise bound (i) granting or obtaining any right to use any material Intellectual Property (other than Contracts granting rights to use readily available commercial Software that is generally available on nondiscriminatory pricing terms and having an acquisition price of less than \$20,000 in the aggregate for all such related Contracts) or (ii) restricting the Company's or its Subsidiaries' rights, or permitting other Persons, to use or register any material Intellectual Property (collectively, the "IP Contracts"). Each IP Contract is valid, binding upon, and enforceable by or against the parties thereto in accordance with its terms. The Company and its Subsidiaries have complied in all material respects with, and is not in breach nor has received any asserted or threatened claim of breach of, any IP Contract, and the Company has no knowledge of any breach or anticipated breach by any other Person to any IP Contract.

(c) Except as set forth in Section 6.9(c) of the Disclosure Schedule: (i) the Company or one of its Subsidiaries owns, or has a valid right to use, free and clear of all Liens, all Intellectual Property used or held for use in, or necessary to conduct, the business of the Company or its Subsidiaries as currently conducted and as currently proposed to be conducted, (ii) the conduct of the business of the Company or its Subsidiaries (including the products and services of the Company) to the knowledge of the Company does not infringe, misappropriate, or otherwise violate any Person's Intellectual Property rights, and the Company has not had such a claim asserted or threatened against it in the past three years and (iii) to the knowledge of the Company, no Person is infringing, misappropriating, or otherwise violating any Intellectual Property owned, used, or held for use by the Company in the conduct of the business of the Company or its Subsidiaries, and no such claims have been asserted or threatened against any Person by the Company in the past three years.

(d) The Company and its Subsidiaries take reasonable measures to protect the confidentiality of Trade Secrets, including requiring all Persons having access thereto to execute written non-disclosure agreements. Such Persons who have not executed a non-disclosure agreement shall, prior to the Tranche B Closing, do so, in a form reasonably acceptable to the Investor. Prior to the Tranche B Closing, all such persons have or will have executed a proprietary rights assignment, in a form reasonably acceptable to the Investor.

(e) No Affiliate or current or former partner, director, stockholder, officer, or employee of the Company owns or retains any rights to use any of the Intellectual Property owned, used, or held for use by the Company in the conduct of the business of the Company or any of its Subsidiaries.

(f) No funding, facilities or personnel of any Governmental Entity were used, directly or indirectly, to develop or create, in whole or in part, any Intellectual Property rights of the Company.

## 6.10 Material Contracts

(a) Sections 6.10(a)(i) through (ix) of the Disclosure Schedule contains lists of each of the following types of Contracts (such Contracts, "Material Contracts"):

(i) each Contract that involved aggregate payments by or to the Company or one of its Subsidiaries of more than \$100,000 during the year ended September 30, 2006 and that is not cancelable by the Company without liability on thirty (30) or less days' notice to the other party thereto;

(ii) each Contract for the lease of personal property by or from the Company or one of its Subsidiaries that involved payments in excess of \$100,000 during the year ended September 30, 2006 and that is not cancelable by the Company or one of its Subsidiaries without liability on thirty (30) or less days' notice to the other party thereto;

(iii) each Contract that by its express terms limits the ability of Company or one of its Subsidiaries to engage in any line of business or compete with any Person or otherwise conduct its business in any geographic area or during any period of time;

- (iv) all Contracts of the Company or one of its Subsidiaries evidencing Indebtedness;
- (v) all Contracts under which any Person has directly or indirectly guaranteed the Indebtedness, liabilities or obligations of the Company or one of its Subsidiaries, or the Company or one of its Subsidiaries has directly or indirectly guaranteed the Indebtedness, liabilities or obligations of any Person;
- (vi) all Contracts of the Company or one of its Subsidiaries which are joint venture or partnership agreements;
- (vii) all Contracts granting or obtaining Intellectual Property rights that are material to the Company or one of its Subsidiaries, other than Contracts relating to computer software, systems or equipment that involved payments by or to the Company or one of its Subsidiaries of less than \$100,000 during the year ended September 30, 2006;
- (viii) all Contracts between the Company or one of its Subsidiaries and the officers or directors of the Company; and
- (ix) all Contracts of the Company or one of its Subsidiaries with any Governmental Entity.

(b) Each such Contract is a legal, valid and binding obligation of the Company, enforceable against the Company and/or such Subsidiary, as the case may be, in accordance with its terms, subject to Laws of general application relating to bankruptcy, insolvency, and the relief of debtors and other Laws of general application affecting enforcement of creditors' rights generally, rules of Law governing specific performance, injunctive relief and other equitable remedies. There has not occurred any breach, violation or default or any event that, with the lapse of time, the giving of notice or the election of any Person, or any combination thereof, would constitute a material breach, violation or default by the Company or a Subsidiary, as the case may be, under any such Contract or, to the knowledge of the Company, by any other Person to any such Contract. Neither the Company nor any of its Subsidiaries has been notified that any party to any Material Contract intends to cancel, terminate, not renew or exercise an option under any Material Contract, whether in connection with the transactions contemplated hereby or otherwise.

#### 6.11 Right of First Refusal; Voting and Registration Rights

. Other than as provided for herein or in any other of the Transaction Documents, no Person has any right of first refusal, preemptive right, right of first offer, right of co-sale or other similar right regarding any of the Company's securities or those of any of its Subsidiaries. There are no provisions in the certificate of incorporation or the by-laws of the Company or any of its Subsidiaries, no agreements to which the Company or any of its Subsidiaries is a party and no agreements by which the Company, any of its Subsidiaries or the Securities are bound, which (i) may affect or restrict the voting rights of the Investor with respect to the Securities in its capacity as a stockholder of the Company, (ii) restrict the ability of the Investor, or any successor thereto or assignee or transferee thereof, to transfer the Securities, (iii) require the vote of more than a majority of the Company's issued and outstanding Common Stock, voting together as a single class, to take or prevent any corporate action, other than those matters requiring a class vote under Delaware Law, or (iv) entitle any party to nominate or elect any director of the Company or require any of the Company's stockholders to vote for any such nominee or other Person as a director of the Company in each case, except as provided for in or contemplated by this Agreement. Except as disclosed on Section 6.11 of the Disclosure Schedule or pursuant to the Registration Rights Agreement, the Company is not under any obligation, contractual or otherwise, to register for sale any of its securities under the Securities Act. The Company has complied with its obligations under Section 4.16 of the Securities Purchase Agreement (the "Camofi Agreement") dated as of July 21, 2005 between the Company and Camofi Master LDC ("Camofi") by giving notice to Camofi of the transactions contemplated hereby. Camofi has, in writing, fully waived its right to participate in the transactions contemplated hereby pursuant to Section 4.16 of the Camofi Agreement.

#### 6.12 Intentionally Omitted

#### 6.13 No Integrated Offering; Private Placement

. Neither the Company, nor any of its Affiliates or any other Person acting on the Company's behalf, has directly or indirectly engaged in any form of general solicitation or general advertising with respect to the Securities nor have any of such Persons made any offers or sales of any security or solicited any offers to buy any security under circumstances that would require registration of the Securities under the Securities Act or cause this offering of Securities to be integrated with any prior offering of securities of the Company for purposes of the Securities Act or any applicable stockholder approval provisions. No registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Investor as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of any trading market in which the Company's securities trade..

#### 6.14 Absence of Certain Developments

. Except as disclosed in Section 6.14 of the Disclosure Schedule, since December 31, 2005, (a) each of the Company and its Subsidiaries has conducted its business and operations consistent with past practice only in the ordinary and usual course thereof, (b) there has not occurred any facts, events, circumstances, changes, conditions or effects (including the incurrence of any Liabilities of any nature, whether or not accrued, contingent or otherwise) that have had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (c) neither the Company nor any of its Subsidiaries has made any material change in its accounting methods, principles or practices, (d) neither the Company nor any of its Subsidiaries has declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) neither the Company nor any of its Subsidiaries has issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans

6.15      Undisclosed Liabilities

. Except as set forth in Section 6.15 of the Disclosure Schedule, neither the Company nor any of its Subsidiaries has any Liabilities other than (a) set forth on the Financial Statements, (b) Liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2005, (c) any Liabilities incurred other than in the ordinary course of business not in excess of \$100,000 individually or (d) Liabilities incurred in connection with this Agreement or the Transaction Documents or the transactions contemplated hereby or thereby

6.16      Litigation

. Except as set forth on Section 6.16 of the Disclosure Schedule and except as would not be material to the Company or any of its Subsidiaries as of the date hereof, there is no action, suit, claim or proceeding pending or to the knowledge of the Company, threatened or reasonably anticipated against the Company or any of its Subsidiaries. As of the date hereof, there is no material investigation or other proceeding pending or, to the knowledge of the Company or threatened or reasonably anticipated against the Company, any of its Subsidiaries or any of their respective properties (tangible or intangible) by or before any Governmental Entity. There has not been since January 1, 2003, nor are there currently, any internal investigations or inquiries being conducted by the Company or any of its Subsidiaries, the Company's Board of Directors (or any committee thereof) or any third party, either at the request of any of the foregoing or otherwise concerning any financial, accounting, tax, conflicts of interest, illegal activity, fraudulent or deceptive conduct or other misfeasance or malfeasance issues. As of the date hereof, there is no action, suit, proceeding, arbitration or, to the knowledge of the Company, investigation involving the Company or any of its Subsidiaries or that the Company or any of its Subsidiaries presently intends to initiate.

6.17      Compliance with Laws

. Neither the Company nor any of its Subsidiaries has received notification from any Governmental Entity (a) asserting a material violation of any Law or the terms of any judgment, order, decree, injunction or writ applicable to the conduct of its business, (b) threatening to revoke any material, Company Permit, or (c) restricting or in any way limiting its business as currently conducted. The Company and each of its Subsidiaries has in all material respects been operated since January 1, 2003 in compliance with all Laws. The Company and each of its Subsidiaries is in compliance in all material respects with all Company Permits and each material Company Permit is in full force and effect.

6.18      Taxes

(a)      Filing of Tax Returns and Payment of Taxes. The Company and each of its Subsidiaries has duly and timely filed (or has had duly and timely filed on its behalf) with the appropriate taxing authorities all Tax Returns required to be filed under applicable law and regulations through the date hereof, and all such Tax Returns are true, correct and complete in all respects. The Company and each of its Subsidiaries have paid on a timely basis all Taxes due and payable (whether or not shown on any Tax Return). Neither the Company nor any of its Subsidiaries is currently the beneficiary of any extension of time within which to file any Tax Return, and no written claim has been made by an authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of The Company or any of its subsidiaries.

(b)      Audits, Investigations, Disputes or Claims. No deficiencies for Taxes of the Company or any of its Subsidiaries have been claimed, proposed or assessed in writing against the Company or any of its Subsidiaries by any taxing or other governmental authority that have not been fully paid or finally settled. No Seller or director or officer (or employee responsible for Tax matters) of the Company or any of its Subsidiaries expects any authority to assess any additional Taxes for any period for which Tax Returns have been filed. An adequate reserve in accordance with GAAP has been established in the books of the Company and its Subsidiaries with respect to any unpaid Taxes. No foreign, federal, state, or local tax audits, investigations, disputes or claims relating to the Taxes or Tax Returns of the Company or any of its Subsidiaries or administrative or judicial Tax proceedings currently are pending or being conducted with respect to the Company or any of its Subsidiaries.

(c)      No Waiver of Statute of Limitations. Neither the Company nor any of its Subsidiaries has executed a waiver with respect to any statute of limitations relating to the assessment or collection of any Taxes.

(d)      Tax Sharing Agreements. Neither the Company nor any of its Subsidiaries is a party to any Tax sharing agreements, or similar arrangements (including indemnity arrangements), or contracts or plans.

(e)      No Withholding. The Company and each of its Subsidiaries has, in all respects, withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party and has filed all Tax Returns required to be filed with respect thereto.

(f)      Net Operating Losses. As of the date hereof, the Company and each of its Subsidiaries has net operating losses of approximately US\$ fifty-six million (\$56,000,000) and no net capital losses and is not subject to limitation under § 3382 (or any other provision of state, local or foreign Tax law.

(g)      Inclusion of Income. Neither the Company nor any of its Subsidiaries will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date that arises as a result of a transaction that occurred prior to the Closing Date.

(h)      Stock Distributions. Neither the Company nor any of its Subsidiaries has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code §355 or Code §361.

6.19      Employee and Benefit Plans

(a) "Benefit Plan" means each deferred compensation and each incentive compensation, stock purchase, stock option and other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); each profit-sharing, stock bonus or other "pension" plan, fund or pro-gram (within the meaning of section 3(2) of ERISA); employment, termination or severance agreement; and each other material employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by the Company, any of its Subsidiaries or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that together with the Company or any of its Subsidiaries would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA, or to which the Company, any of its Subsidiaries or an ERISA Affiliate would reasonably be expected to have any liability, for the benefit of any current or former employee or director of the Company or any of its Subsidiaries. Each Benefit Plan is sponsored or maintained in the United States. No Benefit Plan has terms requiring assumption or any guarantee by the Investor.

(b) Each Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service that it is so qualified and the trust maintained thereunder is exempt from taxation under Section 501(a) of the Code and to the Company's knowledge no event has occurred that could reasonably be expected to cause a loss of such qualification.

(c) Each Benefit Plan has been operated and administered in all material respects in accordance with the terms of such Benefit Plan and with applicable Laws, including but not limited to ERISA and the Code.

(d) No Benefit Plan is subject to Title IV or Section 302 of ERISA and, in the last six years immediately preceding each Closing Date, none of the Company, any of its subsidiaries or any ERISA Affiliates has sponsored, maintained, contributed or been required to contribute to any employee benefit plan which was subject to Title IV of ERISA.

(e) There are no pending, threatened or anticipated material claims by or on behalf of any Benefit Plan, by any employee or beneficiary covered under any such Benefit Plan, or otherwise involving any such Benefit Plan (other than routine claims for benefits).

(f) The consummation of the transactions contemplated by this Agreement will not, either alone or in combination with any other event, (i) entitle any current or former employee, officer, director or consultant of the Company, any of its Subsidiaries or any ERISA Affiliate to severance pay, unemployment compensation or any other similar termination payment, or (ii) accelerate the time of payment or vesting, or increase the amount of, or otherwise enhance, any benefit due to any such employee, officer, director or consultant.

(g) The Company and its Subsidiaries are in material compliance with all applicable U.S. federal, state and local and foreign Laws, rules and regulations respecting employment and employment practices, labor, terms and conditions of employment, wages, hours of work and occupational safety and health, and are not engaged in any unfair labor practices as defined in the National Labor Relations Act or other applicable Law. Neither the Company nor any of its Subsidiaries is bound by or subject to any written or oral, express or implied, commitment or arrangement, collective bargaining or similar agreement with any labor union, and, to the knowledge of the Company, no labor union has requested or has sought to represent any of the employees, representatives or agents of the Company or any of its Subsidiaries and to the knowledge of the Company, there is no current union organizing activities among such employees, representatives or agents.

(h) No Benefit Plan provides medical, surgical, hospitalization, death or similar bene-fits (whether or not insured) for employees or former employees of the Company or any of its Subsidiaries for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pen-sion plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary).

## 6.20 Brokers

. Except as set forth in Section 6.20 of the Disclosure Schedule, no broker, investment banker, financial advisor, finder or other Person has been retained by or is authorized to act on behalf of the Company who might be entitled to any fee or commission in connection with this Agreement or any of the Transaction Documents.

## 6.21 Related-Party Transactions

. Except as set forth in Section 6.21 of the Disclosure Schedule, no employee, officer, director, or Affiliate of the Company or any of its Subsidiaries or member of his or her immediate family is currently indebted to the Company or any of its Subsidiaries, nor is the Company or any of its Subsidiaries indebted (or committed to make loans or extend or guarantee credit) to any of such individuals. Except as set forth in Section 6.21 of the Disclosure Schedule, none of such Persons has any direct or indirect ownership interest in any firm or corporation which is an Affiliate of the Company or with which the Company or any of its Subsidiaries has a business relationship, or any firm or corporation that competes with the Company, except that employees, officers, or directors of the Company and members of their immediate families may own stock in an amount not to exceed 5% of the outstanding capital stock of publicly traded companies that may compete with the Company or with which the Company or one of its Subsidiaries may have a business relationship.

## 6.22 Insurance

(a) Except as set forth in Section 6.22 of the Disclosure Schedule, the Company and its Subsidiaries have policies of property and casualty insurance and bonds of the type and in amounts customarily carried by persons conducting business or owning assets similar to those of the Company and its Subsidiaries. There is no material claim pending under any of such policies or bonds as to which coverage has been, nor any basis for the Company to reasonably believe that a material claim will be, questioned, denied or disputed by the underwriters of such policies or bonds. All premiums due and payable under all such policies and bonds have been paid and the Company and its Subsidiaries are otherwise in compliance in all material respects with the terms of such policies and bonds.

(b) The Company has a directors' and officers' liability insurance policy that is in full force and effect in the amount of \$3,000,000.

6.23 Title to Properties

(a) Neither the Company nor any of its Subsidiaries owns or has owned any real property. Section 6.23(a) of the Disclosure Schedule sets forth a list of all material real property currently leased, licensed or subleased by the Company or any of its Subsidiaries or otherwise used or occupied by the Company or any of its Subsidiaries (the "Real Property"). All current leases set forth in Section 6.23(a) of the Disclosure Schedule are in full force and effect, are valid and effective in accordance with their respective terms there is not, under any of such leases, any existing material breach, default or event of default (or event which with notice or lapse of time, or both, would constitute a material default) by the Company or its Subsidiaries or, to the knowledge of the Company, any third Person under such leases, in each case subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws relating to or affecting the rights and remedies of creditors generally. To the knowledge of the Company, no parties other than the Company or any of its Subsidiaries have a right to occupy any material Real Property and the Real Property is used only for the operation of the business of the Company or its Subsidiaries.

(b) The Company and each of its Subsidiaries have good and valid leasehold interests in, all of their material tangible properties and assets, real, personal and mixed, used or held for use in its business, free and clear of any Liens except (i) Liens for Taxes not yet due and payable and (ii) such imperfections of title and Liens, if any, which do not in any material respect detract from the value or interfere with the present use of the property subject thereto or affected thereby. The rights, properties and assets presently owned, leased or licensed by the Company and its Subsidiaries include all rights, properties and assets necessary to permit the Company and its Subsidiaries to conduct their business in all material respects in the same manner as their businesses have been conducted prior to the date hereof.

6.24 Environmental Matters

(a) The Company and each of its Subsidiaries is, and has been since January 1, 2003, in compliance in all material respects with all applicable federal, state and local Laws relating to protection of the environment (collectively, "Environmental Laws").

(b) Since January 1, 2003 neither the Company nor any of its Subsidiaries has received written notice of, and, to the knowledge of the Company, it is not subject of, any actions, claims, investigations, demands, or notices by any Person alleging liability under or non-compliance with any Environmental Law.

(c) To the knowledge of the Company, there has not been, and there is no Environmental Condition, on or under the Business Premises. As to each location where the Company or any of its Subsidiaries conducts its business or performs services (collectively, the "Business Premises"), (i) no Hazardous Materials have been Released in, on, under, from, to or through the Business Premises, either by the Company or one of its Subsidiaries or at the request of the Company or one of its Subsidiaries, or by an agent, employee or contractor of the Company or one of its Subsidiaries, except in accordance with applicable Law; (ii) none of the Material Contracts, directly or indirectly, requires the Company or one of its Subsidiaries to conduct environmental remediation or to remove Hazardous Materials from the Business Premises in connection with any such environmental remediation; and (iii) to the knowledge of the Company each Business Premises is in compliance with all health and safety Environmental Requirements pertaining to employee safety at job sites and otherwise.

(d) True and complete copies of material reports and investigations (including sample reports or similar information) conducted at the request of the Company or one of its Subsidiaries with respect to any Environmental Subject Matter that relates to the Business Premises, including those related to the emission or disposition of radioactive materials used in connection with the practice of dentistry, have been provided to the Investor.

6.25 Books and Records

(a) The books of account, minute books, shareholder record books, and other records of the Company, all of which have been made available to the Investor, are complete and correct and have been maintained in accordance with sound business practices. The minute books of the Company contain accurate and complete records of all meetings held of and corporate action taken by the shareholders of the Company, the Board of Directors and the committees of the Board of Directors.

6.26 Listing and Maintenance Requirements.

(a) The Company's Common Stock is registered pursuant to Section 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the SEC is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any trading market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such trading market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

6.27 Solvency.

(a) On and as of the date hereof, on a pro forma basis after giving effect to the transactions contemplated by this Agreement occurring on the date hereof, (x) the sum of the assets, at a fair valuation, of the Company and its Subsidiaries (on a consolidated basis) will exceed its debts, (y) the Company (on a consolidated basis) has not incurred and does not intend to incur, and does not believe that it will incur, debts beyond its ability to pay such debts as such debts mature and (z) the Company (on a consolidated basis) has sufficient capital with which to conduct its business. For purposes of this Section 6.27, "debt" means any liability on a claim, and "claim" means any (i) right to payment whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) any right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

6.28 Foreign Corrupt Practices

(a) . Neither the Company nor any of its Subsidiaries, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any corrupt funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any of its Subsidiaries (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended

#### 6.29 Business Practices.

(a) No officer, director, employee, agent or representative of the Company nor any of its Subsidiaries or Affiliates has engaged in any financial, accounting, tax, conflicts of interest, illegal or unethical activity, fraudulent or deceptive conduct on behalf of, or for the benefit of, the Company or any of its Subsidiaries or Affiliates. None of the Company nor any of its Subsidiaries or Affiliates, nor any of their respective officers, directors, employees, agents or representatives on behalf of, or for the benefit of, the Company or any of its Subsidiaries or Affiliates, has used any corporate or other funds for unlawful contributions, payments, gifts, or entertainment, or made any unlawful expenditures relating to political or business activity or established or maintained any unlawful or unrecorded funds in violation of applicable Law. None of the Company nor any of its Subsidiaries or Affiliates, nor any of their respective officers, director, employees, agents or representatives on behalf of the Company or any of its Subsidiaries or Affiliates, has accepted or received any unlawful contributions, payments, gifts, or expenditures in violation of applicable Law.

#### 6.30 Disclosure

(a) The Company has not failed to disclose to the Investor any facts material to the business, results of operations, assets, Liabilities, financial condition or prospects of the Company or any of its Subsidiaries. No representation or warranty by the Company or any of its Subsidiaries contained in this Agreement or the Transaction Documents and no statement contained in any document (including financial statements and the Disclosure Schedule), certificate, or other writing furnished or to be furnished by the Company or any of its Subsidiaries to the Investor or any of its representatives pursuant to the provisions hereof or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements herein or therein not misleading.

### 7. Representations and Warranties of the Investor

. The Investor represents and warrants to the Company as follows:

#### 7.1 Organization

The Investor is a corporation duly organized, validly existing and in good standing under the Laws of the State of New Jersey and has its principal place of business and chief executive office at 145 Belmont Drive, Somerset, NJ 08873.

#### 7.2 Authorization; Enforceability

The Investor has the requisite corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is a party. The execution, delivery and performance by the Investor of this Agreement and each of the other Transaction Documents to which it is a party, and the consummation by the Investor of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of the Investor. This Agreement has been duly and validly executed and delivered by the Investor and, each other Transaction Document to which it is a party will be duly and validly executed and delivered, on Closing, by the Investor, and, assuming due and valid execution and delivery by the Company, constitute valid and binding obligations of the Investor, enforceable against the Investor in accordance with their respective terms, subject to Laws of general application relating to bankruptcy, insolvency, and the relief of debtors and other Laws of general application affecting enforcement of creditors' rights generally, rules of Law governing specific performance, injunctive relief and other equitable remedies.

#### 7.3 No Conflicts

The execution, delivery and performance of this Agreement and each of the Transaction Documents, when executed and delivered at Closing or thereafter as specified herein, and the consummation of the transactions contemplated hereby and thereby will not (a) violate or conflict with any Law that is applicable to or binding on the Investor or (b) violate or conflict with, or result in a material breach of, or constitute a material default (or an event which with notice or lapse of time or both would become a material default) under, or permit cancellation of any material Contract to which the Investor is a party or by which the Investor is bound.

#### 7.4 Litigation

There are no actions, suits, claims or legal, administrative or arbitratorial proceedings pending against, or, to the Investor's knowledge, threatened against the Investor which would adversely affect the Investor's performance under this Agreement or the Transaction Documents or the consummation of the transactions contemplated hereby or thereby.

#### 7.5 Available Funds

Investor has the funds on hand necessary to satisfy its obligation to pay for the Tranche A Securities on the date hereof. Investor has, or will have on the Tranche B Closing Date, the funds on hand necessary to satisfy its obligation to pay for the Tranche B Securities on the Tranche B Closing Date.

## 7.6 Brokers

No broker, investment banker, financial advisor, finder or other Person was retained by or is authorized to act on behalf of the Investor who is entitled to any fee or commission in connection with the execution of this Agreement.

## 8. Covenants

### 8.1 Continuing Covenants of the Company

The Company (and each of its Subsidiaries) hereby covenants from the date of this Agreement until the Tranche B Closing or the termination of this Agreement in accordance with its terms, except to the extent expressly permitted by this Agreement or otherwise consented to by an instrument in writing signed by the Investor, the Company shall (i) keep the Company's business, as it is currently being conducted, and organization intact and shall not take or permit to be taken or do or suffer to be done anything other than in the ordinary course of its business as the same is currently being conducted, (ii) use its reasonable best efforts to keep available the services of its directors, officers, employees, independent contractors and agents and retain and maintain good relationships with its clients and maintain its facilities in good condition and (iii) maintain the goodwill and reputation associated with its business, as it is currently being conducted.

### 8.2 Auditors

The Company shall have as its auditors an accounting firm of national reputation. The parties hereto acknowledge and agree that, for purposes of this Section 8.2, Amper, Politziner & Mattia is an accounting firm of national reputation.

### 8.3 Composition of Board of Directors; Directors and Officers Insurance Policy

(a) No later than fifteen days from the date hereof, the Company shall increase the size of the Board of Directors by two directors designated by the Investor (the "Investor Directors"). The Board of Directors may, without the consent of the Investor, appoint one additional director by majority vote so that upon such increase the Board shall consist of seven directors. Other than with respect to vacancies in the positions in the Board of Directors held by either of the Investor Directors or their successors, vacancies on the Board of Directors shall be filled by a majority vote of the Board of Directors. Vacancies in the positions in the Board of Directors held by either of the Investor Directors or their successors shall be filled at the sole discretion of the Investor. The Board of Directors shall meet at least once every fiscal quarter, unless otherwise agreed to by a majority of directors.

(b) If the Company desires to increase the number of directors to more than seven, the Company shall (i) obtain the Investor's consent to any such increase in the Board of Directors, and (ii) present any proposed director to the Investor for approval, with respect to (ii) hereto such approval not to be unreasonably withheld.

(c) The Investor shall have rights with respect to representation on the Board of Directors as set forth in the Certificate of Designation.

(d) Promptly following the date hereof, the Company shall appoint at least one of the directors designated by the Investor to the compensation committee of the Board of Directors.

(e) The Company shall maintain in full force and effect a policy or policies of insurance, including, without limitation, a directors and officers liability insurance policy, issued by insurers of recognized responsibility, insuring it, its directors and officers, its properties and its business against such losses and risks, and in such amounts, as are customary in the case of corporations of established reputation engaged in the same or a similar business and in an amount acceptable to the Board of Directors.

(f) In the event that the Company or any of its respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all its properties and assets to any Person, then, and in each such case, the Company shall cause proper provisions to be made so that the successors and assigns of the Company, may assume the obligations set forth in this Section 8.3. The obligations of the Company under this Section 8.3 shall not be terminated or modified in such a manner as to adversely affect any indemnitee to whom this Section 8.3 applies without the express written consent of such affected indemnitee (it being expressly agreed that the indemnitees to whom this Section 8.3 applies shall be third party beneficiaries of this Section 8.3).

### 8.4 Use of Proceeds

The Company shall use the proceeds from the transaction contemplated hereby solely to pay off certain obligations relating to its securities as set forth on Exhibit E hereof, to fund the Company's working capital needs as set forth on Exhibit F hereof and to pay \$1.2 million dollars of existing accounts payable of the Company as set forth on Exhibit G hereof. THE COMPANY EXPRESSLY AGREES THAT NONE OF THE PROCEEDS FROM THE TRANSACTION CONTEMPLATED HEREBY SHALL BE USED TO FINANCE THE COMPANY'S PENDING ACQUISITION OF ENTECH.

### 8.5 Reservation of Common Stock

The Company will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon the conversion of Series D Preferred Stock as provided in the Certificate of Designation and the issuance and conversion of Warrants as provided in the form of Warrant, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series D Preferred Stock and the issuance and conversion of the Warrants. The Company covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, Liens and charges with respect to the issue thereof. The Company will use its best efforts to assure that all such shares of Common Stock may be so issued without violation of any applicable Law or regulation, or of any requirement of any national securities exchange or other market upon which the Common Stock may be listed. The Board of Directors agrees to submit for shareholder approval at the next meeting

of the shareholders of the Company a proposal to increase the number of authorized shares of Common Stock of the Company to at least 300,000,000 . The Board of Directors agrees to recommend shareholder approval of such proposal.

#### 8.6 Filings

The Company shall promptly provide to the Investor (or its counsel) copies of all filings made by the Company or any Affiliate with any Governmental Entity in connection with this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby.

#### 8.7 Financial Statements and Other Information

The reports required to be prepared pursuant to this Section 8.7 are to be prepared solely for internal purposes and are independent of any reports that must be prepared to satisfy any legal requirements or obligations of the Company or its Subsidiaries.

(a) Quarterly Reports. The Company shall deliver to the Investor, as soon as available but in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year, unaudited consolidating and consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarterly period and for the period from the beginning of the fiscal year to the end of such quarter, and unaudited consolidating and consolidated balance sheets of the Company and its Subsidiaries as of the end of such quarterly period, setting forth in each case comparisons to the Company's annual budget and to the corresponding period in the preceding fiscal year, and all such statements shall be prepared in accordance with GAAP, consistently applied, subject to the absence of footnote disclosures and to normal year-end adjustments for recurring accruals, and shall be certified by the Company's chief financial officer. The Company shall include with each such report an up-to-date capitalization table, certified by Company's chief financial officer. Additionally, the Company shall include a brief summary of any significant events, developments or trends that transpired during the quarterly period.

(b) Fiscal Reports. The Company shall deliver to the Investor within ninety (90) days after the end of each fiscal year, statements of income and cash flows for the Company and its Subsidiaries for such fiscal year, and audited consolidating and audited consolidated balance sheets of the Company and its Subsidiaries as of the end of such fiscal year, together with, in each case, comparisons to the Company's annual budget and to the preceding fiscal year, all prepared in accordance with GAAP, consistently applied, and accompanied by (i) with respect to consolidated portion of such statements, an audit opinion containing no exceptions or qualifications (except for qualifications regarding specified contingent liabilities and except as set forth on Section 8.7(b) of the Disclosure Schedule) of the Company's auditors or another independent auditing firm of recognized national standing and (ii) a copy of such firm's annual management letter, if any, to the Board of Directors.

(c) Additional Accountants' Reports. As determined by the Board of Directors, the Company shall deliver to the Investor promptly upon receipt thereof, any additional reports, management letters or other detailed information concerning significant aspects of the Company's operations or financial affairs given to the Company by its independent accountants (and not otherwise contained in other materials provided hereunder ).

(d) Annual Budget. For 2007 the Company shall deliver to the Investor no later than December 15, 2006 and thereafter the Company shall deliver to the Investor at least thirty (30) days prior to the beginning of each fiscal year, an annual budget for the Company and its Subsidiaries for such fiscal year and, promptly upon preparation thereof, any other significant budgets prepared by the Company and any revisions of such annual or other budgets, and, within forty-five (45) days after any quarterly period in which there is a material adverse deviation from the annual budget, a letter from the Company's chief financial officer explaining the deviation and what actions the Company has taken and proposes to take with respect thereto. Each annual budget delivered pursuant to this Section 8.7 shall be prepared in a manner that is consistent with GAAP.

(e) Other Matters. The Company shall deliver to the Investor promptly (but in any event within five (5) Business Days) after the discovery or receipt of (i) notice of any default under any material Contract to which it or any of its Subsidiaries is a party or any other material adverse change, event or circumstance affecting the Company or any Subsidiary thereof (including, without limitation, the filing of any material litigation against the Company or any Subsidiary thereof or the existence of any dispute with any Person which involves a reasonable likelihood of such litigation being commenced). The Company shall deliver to the Investor with reasonable promptness, such other information and financial data concerning the Company and its Subsidiaries as it may reasonably request.

#### 8.8 Inspection of Property

The Company and its Subsidiaries shall permit any authorized representative of the Investor upon reasonable notice and during normal business hours to (a) visit and inspect any of the properties or operations of the Company and its Subsidiaries, (b) examine the corporate and financial records of the Company and its Subsidiaries and make copies thereof and (c) discuss the affairs, finances and accounts with the directors, officers, key employees and independent accountants of the Company and its Subsidiaries.

#### 8.9 Further Assurances

The Company will cure promptly any defects in the creation and issuance of the Securities and the execution and delivery of the Transaction Documents. The Company at its expense will promptly execute and deliver to the Investor, upon request, all such other documents, agreements and instruments to correct any omissions in the Transaction Documents or to make any recordings, to file any notices or obtain any consents, all as may reasonably be necessary or appropriate in connection therewith.

#### 8.10 Financing for Entech Acquisition

The Company shall raise all the financing (the "Entech Financing") for the acquisition of Entech Environmental Technologies, Inc. ("Entech") through a special purpose vehicle (the "SPV"). None of the securities issued by the SPV in connection with such acquisition shall be convertible into either the Company's Common Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock or any other class of capital stock which the Company may authorize or issue in the future. The Company further agrees not to provide any form of guarantee or surety to the SPV in relation to the Entech Financing or to secure the Entech Financing with any of its assets or capital stock.



#### 8.11 Strategic Agreement

Between the date hereof and the Tranche B Closing Date, the Company and the Investor shall negotiate in good faith and use commercially reasonable efforts to enter into the Strategic Agreement as soon as practicable, but no later than January 31, 2007.

#### 8.12 Right to Participate Pro-Rata in Future Financing

(a) The Company hereby grants to the Investor a right of first refusal to purchase, with respect to the issuance by the Company of new or additional debt or equity securities for cash, that portion of such new or additional debt or equity securities as may be necessary in order to permit the Investor to maintain its relative ownership of the aggregate amount of the Company's total common equity (calculated on a Fully-Diluted Basis). Such right shall be offered to the Investor (such offer, the "Preemptive Rights Offer") pursuant to a written notice from the Company offering the Investor such securities on the same terms and conditions as offered to the other Offeree(s) (such written notice, the "Preemptive Rights Notice"). The Investor shall have 20 days from the date of the Company's delivery of the Preemptive Rights Notice to notify the Company in writing of its binding acceptance of such Preemptive Rights Offer with respect to some or all of the debt or equity securities which are offered to the Investor pursuant to such Preemptive Rights Offer.

(b) If the Investor accepts the Preemptive Rights Offer in accordance with the provisions of the preceding sentence, the Company and the Investor shall have 30 days in which to consummate such binding agreement. In the event that the Investor does not accept the Preemptive Rights Offer within such 20 day period in accordance with the provisions of the preceding sentence or fails to consummate any such purchase within such 30 day period, the Company would have the right, but not the obligation, to issue such securities on terms and conditions in the aggregate no more favorable to the other offeree(s) than those set forth in the Preemptive Rights Notice, pursuant to a definitive agreement to be entered into no later than 90 days after such date.

(c) Notwithstanding anything to the contrary contained herein, no rights of first refusal pursuant to this Section 8.12 would apply in the event of (i) the exercise of any employee or director options or the exercise or conversion of any options, warrants or convertible securities in existence as of the date hereof, (ii) an issuance of Common Stock by the Company in connection with a registered public offering, or (iii) the distribution by the Company of its securities to all of its stockholders on a pro rata basis.

(d) "Fully-Diluted Basis" shall mean, with respect to any calculation of the outstanding number of shares of the Company's capital stock or the outstanding amount of common equity of the Company (as the case may be pursuant to this Section 8.12), an amount equal to the total outstanding number of shares of Company capital stock, calculated without duplication and assuming the conversion of all outstanding shares of convertible stock and securities of the Company and the exercise of all warrants, options and other rights to purchase Common Stock.

#### 8.13 Restrictive Legend

(a) The Investor acknowledges that each certificate evidencing the Securities shall be stamped or otherwise imprinted with a legend in substantially the following form, unless prior to exercise of the Warrants or the Series D Preferred Stock, the Common Stock issuable upon conversion or exercise thereof shall have been registered under the Securities Act:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT."

(b) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 8.13(a) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Underlying Shares pursuant to Rule 144, or (iii) if such Underlying Shares are eligible for sale under Rule 144(k), or (iv) if such legend is not required under applicable requirements of the Securities Act. The Company agrees that at such time as such legend is no longer required under this Section 8.13(b), it will, no later than three Trading Days following the delivery by a Investor to the Company or the Company's transfer agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such third Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to the Investor a certificate representing such shares that is free from all restrictive and other legends.

(c) In addition to the Investor's other available remedies, the Company shall pay to the Investor, in cash, as partial liquidated damages and not as a penalty, for each \$1,000 of Underlying Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Company's transfer agent) delivered for removal of the restrictive legend and subject to Section 8.13(b), \$5 per Trading Day (increasing to \$10 per Trading Day 5 Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend. Such liquidated damages shall not be incurred during any period in which the delay is occasioned by the Company's transfer agent or other independent party not acting at the Company's direction to delay the issuance and not as a result of an negligence or wrongdoing on the Company's part. Nothing herein shall limit the Investor's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and the Investor shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

#### 8.14 Public Statements.

8.15 The initial press release with respect to this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby shall be agreed upon by the Company and the Investor. Thereafter, the Company shall consult with the Investor before issuing any press release or making any public statement (including any filing with the SEC) with respect to this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby and shall not issue any such press release or make any such public statement without the prior consent of the Investor.

### 9. Conditions to the Parties' Obligations

### 9.1 Conditions to Each Party's Obligations

The respective obligations of each party to consummate the transactions contemplated hereunder to be consummated at the Tranche B Closing are subject to the fulfillment prior to or on the Tranche B Closing Date of all of the following conditions, which may be waived in whole or in part by the Investor to the extent permitted by Law:

(a) No Statute, Etc. No statute, rule, regulation, executive or other order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits, restrains, enjoins or restricts the transactions contemplated by this Agreement or any of the Transaction Documents.

### 9.2 Conditions to the Investor's Obligations

The obligations of the Investor to consummate the transactions contemplated hereunder to be consummated at the Tranche B Closing are subject to the fulfillment prior to or on the Tranche B Closing Date of all of the following conditions, which may be waived in whole or in part by the Investor to the extent permitted by Law:

(a) Covenants; Representations and Warranties. (i) The Company shall have performed in all material respects each of its obligations hereunder and under each of the Transaction Documents required to be performed by it at or prior to the Tranche B Closing Date, and shall have obtained all consents and approvals required for the consummation of the transactions contemplated hereby and by each of the Transaction Documents, and (ii) the representations and warranties of the Company contained in this Agreement and in any certificate or other writing delivered by the Company pursuant hereto shall be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at and as of the Tranche B Closing Date as if made at and as of the Tranche B Closing Date, except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Laws; Injunctions. No statute, rule, regulation, executive or other order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity that would, or would reasonably be likely to, have a Material Adverse Effect.

(c) Certificate of Officer. The Company shall have delivered to the Investor a certificate dated the date of the Tranche B Closing Date, executed by its chief executive officer, certifying the satisfaction of the conditions specified in paragraph (a) of this Section 9.2.

(d) Strategic Agreement. The Company shall have executed and delivered the Strategic Agreement.

(e) No Material Adverse Effect. There shall have been no Material Adverse Effect from and after the date of this Agreement.

(f) Default. The Company shall not be in default in any material respect under any Contract evidencing Indebtedness of the Company.

(g) Legal Opinion. The Investor shall have received the legal opinion from Salvo, Landau, Gruen & Rogers in the form attached hereto as Exhibit I.

### 9.3 Conditions to the Company's Obligations

The obligations of the Company to consummate the transactions contemplated hereunder to be consummated at the Tranche B Closing are subject to the fulfillment prior to or on the Tranche B Closing Date of all of the following conditions, which may be waived in whole or in part by the Company to the extent permitted by Law:

(a) Covenants; Representations and Warranties. (i) The Investor shall have performed in all material respects each of its obligations hereunder and under each of the Transaction Documents required to be performed by it at or prior to the Tranche B Closing Date, and shall have obtained all consents and approvals required for the consummation of the transactions contemplated hereby and by each of the Transaction Documents, and (ii) the representations and warranties of the Investor contained in this Agreement and in any certificate or other writing delivered by the Investor pursuant hereto shall be true and correct (without giving effect to any limitation as to "materiality" set forth therein) at and as of the Tranche B Closing Date as if made at and as of the Tranche B Closing Date, except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a material adverse effect on the ability of the Investor to perform its obligations under this Agreement and the Transaction Documents.

(b) Certificate of Officer. The Investor shall have delivered to the Company a certificate dated as of the date of such Closing Date, executed by an authorized officer of the Investor, certifying the satisfaction of the conditions specified in paragraph (a) of this Section 9.3.

(c) Strategic Agreement. The Investor shall have executed and delivered the Strategic Agreement.

## 10. Indemnification

### 10.1 Survival of Representations and Warranties

The representations and warranties of the Company and the Investor contained in this Agreement shall survive until 18 months after the date hereof, except that (i) all representations and warranties contained in Sections 6.1, 6.2, 6.3, and 6.4 shall survive indefinitely; and (ii) all representations and warranties of the Company set forth in Section 6.18 and 6.24 shall survive until ninety (90) days after their applicable statutes of limitation (taking into account any applicable waivers or extensions). The covenants and agreements of the Investor and the Company contained in this Agreement and the Transaction Documents or in any certificate or other writing delivered pursuant hereto or thereto or in connection herewith or therewith shall survive indefinitely unless otherwise set forth herein or therein. The covenants and agreements of the Company contained in Sections 8.1, 8.3, 8.6, 8.7, 8.8 and 8.12 of this Agreement shall terminate if the Investor's beneficial ownership of the Company's capital stock on a fully-diluted basis falls below five percent (5%) of the then outstanding shares of Common Stock. If written notice of a claim has been given prior to the expiration of the applicable representations and warranties by the Company or the Investor, then the relevant representations and warranties of the other party shall survive as to such claim, until such claim has been finally resolved.

## 10.2 Indemnification

(a) The Investor, its Affiliates and its successors and assigns and the officers, directors, employees and agents of the Investor, its Affiliates and its successors and assigns shall be indemnified and held harmless by the Company for any and all Liabilities, Financial Statement Losses, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including, without limitation, reasonable attorneys' fees and expenses) actually suffered or incurred by them (including, without limitation, any action, claim or proceeding brought or otherwise initiated by any of them) (hereinafter, an "Investor Loss") arising out of, or resulting from or based upon:

- (i) the breach of any representation or warranty made by the Company contained in this Agreement or in any Transaction Document provided, however, that, in the case of any representation or warranty that is limited by "knowledge," "material" "Material Adverse Effect" or by any similar term or limitation, the occurrence of a breach or inaccuracy of such representation or warranty, as the case may be, and the amount of Losses shall be determined as if "knowledge," "material" "Material Adverse Effect" or by any similar term or limitation were not included therein;
- (ii) the breach of or failure to perform any covenant or agreement by the Company contained in this Agreement or in any Transaction Document;
- (iii) any action instituted against the Investor, or any of its Affiliates, by any shareholder of the Company who is not an Affiliate of the Investor, with respect to any of the transactions contemplated by this Agreement or any of the Transaction Documents; or
- (iv) any Violative Actions.

The amounts of any indemnification pursuant to this Section 10.2(a) shall be increased by an additional amount to reflect an appropriate gross-up to compensate the Investor for its indirect participation as a holder of capital stock of the Company in any indemnification payment made pursuant to this Section 10.2(a).

(b) The Company, its Affiliates and its successors and assigns and the officers, directors, employees and agents of the Company, its Affiliates and its successors and assigns shall be indemnified and held harmless by the Investor for any and all Liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including, without limitation, reasonable attorneys' fees and expenses) actually suffered or incurred by them (including, without limitation, any action, claim or proceeding brought or otherwise initiated by any of them) (hereinafter, a "Company Loss", and each of a Company Loss and an Investor Loss is hereinafter referred to as a "Loss" with respect to such party) arising out of, resulting from or based upon:

- (i) the breach of any representation or warranty made by the Investor contained in this Agreement or in any Transaction Document provided, however, that, in the case of any representation or warranty that is limited by "knowledge," "material" "Material Adverse Effect" or by any similar term or limitation, the occurrence of a breach or inaccuracy of such representation or warranty, as the case may be, and the amount of Losses shall be determined as if "knowledge," "material" "Material Adverse Effect" or by any similar term or limitation were not included therein; or
- (ii) the breach of or any failure to perform any covenant or agreement by the Investor contained in this Agreement or in any Transaction Document.
- (c) Whenever a claim shall arise for indemnification under this Section 10, the party entitled to indemnification (the "Indemnified Party") shall give notice to the other party (the "Indemnifying Party") of any matter that the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement promptly stating the amount of the Loss, if known. The obligations and Liabilities of the Indemnifying Party under this Section 10 with respect to Losses arising from claims of any third party which are subject to the indemnification provided for in this Section 10 ("Third Party Claims") shall be governed by and contingent upon the following additional terms and conditions: if an Indemnified Party shall receive notice of any Third Party Claim, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim following receipt by the Indemnified Party of such notice in the time frame provided above; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 10 and shall not relieve the Indemnifying Party from any other obligation or Liability that it may have to any Indemnified Party otherwise than under this Section 10. The Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within ten days of the receipt of such notice from the Indemnified Party; provided, however, that, if in the opinion of the Indemnified Party there exists or is reasonably likely to exist a conflict of interest that would prevent the same counsel from representing both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel at the expense of the Indemnifying Party. In the event the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party. No party shall be entitled to indemnification

under this Section 10.2 if such party receives reasonable express written notice of a breach of any representation, warranty, covenant or agreement and such party would be entitled to terminate this Agreement pursuant to the terms hereof in respect of such breach and fails to do so.

### 10.3 Limits on Indemnification

Notwithstanding anything to the contrary contained in this Agreement, no claim may be made against the Company for indemnification unless the aggregate of all Investor Losses shall exceed \$250,000 (the "Basket"), in which case the Company shall then be required to pay or be liable for the full amount of Investor Losses; provided, however, that the Basket shall not apply to or limit Investor Losses relating to breaches of the representations contained in Sections 6.1, 6.2, 6.3, 6.4, 6.11, 6.12, 6.20, 6.28 and 6.29 or to any Violative Actions.

### 10.4 Effect of Investigation

The right to indemnification and all other remedies based on any representation, warranty, covenant or obligation contained in or made pursuant to this Agreement shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the date hereof or the Tranche B Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or obligation.

## 11. Miscellaneous

### 11.1 Notices

All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be hand delivered or mailed postage prepaid by registered or certified mail or transmitted by facsimile transmission (with immediate telephonic confirmation thereafter),

#### (a) If to the Investor:

EMCORE Corporation  
145 Belmont Drive  
Somerset, New Jersey 08873  
Attention: Howard W. Brodie, Esq.  
Facsimile No.: (732) 302-9783

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

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522  
Attention: Thomas H. Kennedy, Esq.  
Facsimile No.: (917) 777-2526

#### (b) If to the Company:

WorldWater and Power Corp.  
Pennington Business Park  
55 Route 31 South  
Pennington, NJ 08534  
Attention: Quentin T. Kelly  
Facsimile No.: (609) 818-0720

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

Salvo Landau Gruen & Rogers  
501 Township Line Road, Suite 150  
Blue Bell, Pennsylvania 19422  
Attention: Stephen A. Salvo, Esq.  
Facsimile No.: (212) 653-0383

or at such other address as the Company or the Investor may specify by written notice to the other, and each such notice, request, consent and other communication shall for all purposes of the Agreement be treated as being effective or having been given when delivered if delivered personally, upon receipt of facsimile confirmation if transmitted by facsimile, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and postage prepaid as aforesaid.

### 11.2 Termination of Agreement

This Agreement may be terminated as follows:

#### (a) by mutual written consent of the Investor and the Company;

(b) by the Investor, if the Company has breached any representation, warranty, covenant or agreement contained in this Agreement such that the condition set forth in Section 9.2(a) hereof is not capable of being fulfilled; provided, that if such breach is capable of being cured, the Company has not cured such breach within twenty (20) Business Days after notice by the Investor to the Company thereof;

(c) by the Company, if the Investor has breached any representation, warranty, covenant or agreement contained in this Agreement such that the condition set forth in Section 9.3(a) hereof is not capable of being fulfilled; provided, that if such breach is capable of being cured, the Investor has not cured such breach within twenty (20) Business Days after notice by the Company to the Investor thereof; or

(d) by the Investor, if the Tranche B Closing have not occurred by February 1, 2007.

#### 11.3 Effect of Termination

In the event of the termination and abandonment of this Agreement pursuant to Section 11.2, this Agreement shall forthwith become void and have no effect, without any liability on the part of either party hereto other than the provisions of this Section 11.3 and Sections 8.1 through 8.14; provided, however, that such termination and abandonment shall not result in the prior sale of any Securities hereunder being rescinded; provided, further, that a party that has committed fraud or willfully breached its representations, warranties, covenants or agreements shall be liable for such fraud or breach.

#### 11.4 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. The Investor's rights under this Agreement may be assigned, in whole or in part, to any Permitted Transferee, and any Permitted Transferee shall be deemed to be a Investor for all purposes hereunder. A "Permitted Transferee" is (i) any Affiliate of the Investor, including, without limitation, directors, executives and officers of the Investor, (ii) any member of the family of any Affiliate of the Investor, including any such Person's spouse and descendants and any trust, partnership, corporation, limited liability company or other entity for the benefit of such spouse and/or descendants to whom or which any of the Securities have been transferred by any such Person for estate or tax planning purposes, (iii) any charity or foundation to which the Securities have been transferred by the Investor or any Person or entity described in clause (i) or (ii) above for estate or tax planning or charitable purposes, or (iv) the beneficiary of any bona fide pledge by the Investor of any of the Securities. Other than Sections 8.3(d) and 8.3(e) hereof, neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto and any Permitted Transferee any rights or remedies hereunder.

#### 11.5 Headings

The headings of the Sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

#### 11.6 Governing Law

This Agreement, including all matters of construction, validity and performance, shall be construed in accordance with and governed by the Laws of the State of New York (without regard to principles of conflicts of Laws).

#### 11.7 Expenses

Other than as required by applicable Law, all costs and expenses incurred in connection with this Agreement, the Transactions Documents and the transactions contemplated hereby and thereby shall be paid by the party incurring such costs or expenses.

#### 11.8 Jurisdiction

Each of the parties hereto: (a) irrevocably consents to submit itself to the exclusive jurisdiction and venue of the state courts located in New York County, in the State of New York and the Federal courts located in the Southern District of the State of New York, for the purpose of any action or proceeding arising out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated hereby in any court other than a state or federal court of competent jurisdiction located in New York, New York, except for the purpose of enforcing any award or decision.

#### 11.9 Waiver of Jury Trial

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

#### 11.10 Counterparts; Effectiveness

This Agreement may be executed in any number of counterparts and by a different party hereto in separate counterparts, with the same effect as if each party had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by each of the parties hereto.

#### 11.11 Entire Agreement

This Agreement, the Transaction Documents, and the Confidentiality Agreement contain the entire agreement among the parties hereto with respect to the subject matter hereof and supersede and replace all other prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof.

11.12      Severability

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated 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 a determination, the parties 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 in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

11.13      Change; Waiver

No change or modification of this Agreement shall be valid unless the same is in writing and signed by all of the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the party waiving its rights. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

[Execution Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Investment Agreement to be duly executed as of the day and year first above written.

WorldWater and Power Corp.

By: /s/ Quentin T. Kelly  
Name: Quentin T. Kelly  
Title: Chairman

EMCORE Corporation

By: /s/ Howard W. Brodie\_\_\_\_\_

Name: Howard W. Brodie  
Title: Chief Legal Officer and Executive Vice

President

**REGISTRATION RIGHTS AGREEMENT**

**by and between**

**EMCORE CORPORATION**

**and**

**WORLDWATER AND POWER CORP.**

\_\_\_\_\_  
Dated as of November 29, 2006

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14. Transfer of Registration Rights.
15. Conversion or Exchange of Other Securities.
16. Miscellaneous.

REGISTRATION RIGHTS AGREEMENT dated as of November 29, 2006, by and between WorldWater and Power Corp., a Delaware corporation (the "Company"), and EMCORE Corporation, a New Jersey corporation (the "Investor").

In consideration of the mutual covenants and agreements herein contained and other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

### **1. Certain Definitions.**

In addition to the terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

"Affiliate" of any Person means any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlling," "controlled by" and "under common control with") as used with respect to any Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Registration Rights Agreement, including all amendments, modifications and supplements and any exhibits or schedules to any of the foregoing, and shall refer to this Registration Rights Agreement as the same may be in effect at the time such reference becomes operative.

"Blackout Period" has the meaning set forth in Section 9(e) hereof.

"Business Day" means any day, except a Saturday, Sunday or legal holiday on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"Certificate of Designation" means the Certificate of Amendment to Designate the Preferred Stock (as defined below), filed with the Secretary of State of Delaware.

"Common Stock" means common stock, par value \$0.001 per share, in the Company.

"Company," has the meaning set forth in the introductory paragraph and includes any other person referred to in the second sentence of Section 16(c) hereof.

"Damages Payment Date" means the first Business Day of each month.

"Delay Period" has the meaning set forth in Section 3(d) hereof.

"Demand Registration" has the meaning set forth in Section 3(a) hereof.

"Demand Registration Statement" has the meaning set forth in Section 3(a) hereof.

"Demand Request" has the meaning set forth in Section 3(a) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Full Cooperation" means, in connection with any underwritten offering, where, in addition to the cooperation otherwise required by this Agreement, (a) members of senior management of the Company (including the chairman of the Company's board of directors, the chief executive officer and the chief financial officer) fully cooperate with the underwriter(s) in connection therewith and make themselves available to participate in "road-show" and other customary marketing activities in such locations (domestic and foreign) as recommended by the underwriter(s) (including one-on-one meetings with prospective purchasers of the Registrable Securities) and (b) the Company prepares preliminary and final prospectuses (preliminary and final prospectus supplements in the case of an offering pursuant to the Shelf Registration Statement) for use in connection therewith containing such additional information as reasonably requested by the underwriter(s) (in addition to the minimum amount of information required by law, rule or regulation).

"Fully Marketed Underwritten Offering" means an underwritten offering in which there is Full Cooperation.

"Governmental Entity" means any national, federal, state, municipal, local, territorial, foreign or other government or any department, commission, board, bureau, agency, regulatory authority or instrumentality thereof, or any court, judicial, administrative or arbitral body or public or private tribunal.

"Investment Agreement" means the Investment Agreement, dated November 29, 2006, between the Company and the Investor.

"Investor" has the meaning set forth in the introductory paragraph.

"Liquidated Damages" has the meaning set forth in Section 12 hereof.

"Nasdaq" means the Nasdaq quotation system, or any successor reporting system.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, Governmental Entity or any other entity.

"Piggyback Registration" has the meaning set forth in Section 4(a) hereof.

"Piggyback Registration Statement" has the meaning set forth in Section 4(a) hereof.

"Preferred Stock" means the Series D Preferred Stock issued to the Investor pursuant to the Investment Agreement.

"Prospectus" means the prospectus or prospectuses forming a part of, or deemed to form a part of, or included in, or deemed included in, any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus or prospectuses.

"Registrable Securities" means (i) any shares of Common Stock owned by the Investor, (ii) the Warrant Shares, (iii) any Preferred Stock owned by the Investor, and (iv) any securities issued or issuable in respect of Common Stock or other capital stock referred to in clauses (i), (ii) and (iii) above by way of conversion, exercise or exchange, or upon any stock dividend or stock split or in connection with a combination of shares, reclassification, recapitalization, merger, consolidation or other reorganization or otherwise.

"Registration Default" has the meaning set forth in Section 12 hereof.

"Registration Expenses" has the meaning set forth in Section 10(a) hereof.

"Registration Statement" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all materials incorporated by reference in such Registration Statement.

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

"Rule 415" means Rule 415 promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC as a replacement thereto having substantially the same effect as such rule.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Suspension Notice" has the meaning set forth in Section 9(e) hereof.

"Stock Repurchase" has the meaning set forth in Section 4(b) hereof.

"transferee" has the meaning set forth in Section 14(a) hereof.

"underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

"underwritten registration or underwritten offering" means an offering in which securities of the Company are sold to one or more underwriters (as defined in Section 2(a)(11) of the Securities Act) for resale to the public.

"Warrant Agreement" means the Warrant Agreement dated November 29, 2006, 2006, between the Company and the Investor.

"Warrant Shares" means the shares of the Company's Series D preferred stock issued or issuable upon exercise of the Warrants.

"Warrants" means the warrants to acquire shares of the Company's Series D preferred stock issued pursuant to the Warrant Agreement.

"Withdrawn Demand Registration" has the meaning set forth in Section 3(e) hereof.

## **2. Shelf Registration Statements.**

### **(a) Right to Request Registration**

### **(a) Right to Request Registration**

(i) No later than forty five (45) days after the date the Company receives a notice from the Investor (the "Investor Notice"), the Company shall file with the SEC a registration statement on such form under the Securities Act then available to the Company providing for the resale on a continuous basis, pursuant to Rule 415, by the Investor of such number of shares of Registrable Securities requested by the Investor to be registered thereby (including the Prospectus, amendments and supplements to the shelf registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such shelf registration statement, the "Shelf Registration Statement"). The Company agrees that if no other form is available to it at the time it receives the Investor Notice, it shall file with the SEC a registration statement on Form S-1 in order to comply with its obligations hereunder.

(ii) The Company shall use its best efforts to cause the Shelf Registration Statement to be declared effective by the SEC as soon as practicable but no later than one hundred and twenty (120) days of such filing.

(iii) The Company shall maintain the effectiveness of the Shelf Registration Statement for a period of at least five years in the aggregate plus the duration of any Blackout Period.

(iv) If the Shelf Registration Statement ceases to be effective for any reason as result of the issuance of a stop order by the SEC at any time, the Company shall use its best efforts to obtain the prompt withdrawal of any such order, and in any event shall within thirty (30) days of such cessation of effectiveness amend the Shelf Registration Statement in a manner expected to obtain the withdrawal of said order.

(v) The Company shall supplement and amend the Shelf Registration Statement if required by the applicable rules, regulations or instructions, if required by the Securities Act or if reasonably requested by the Investor.

### **(b) Number of Fully Marketed Underwritten Offerings.**

The Investor shall be entitled to request an aggregate of 1 Fully Marketed Underwritten Offering pursuant to the Shelf Registration Statement. If the Investor requests a Fully Marketed Underwritten Offering, the Company shall cause there to occur Full Cooperation in connection therewith. An underwritten offering shall not count as one of the permitted Fully Marketed Underwritten Offerings if there is not Full Cooperation in connection therewith or the Investor is not able to sell at least 50% of the Registrable Securities desired to be sold in such Fully Marketed Underwritten Offering. Except as provided in this Section 2(b), there shall be no limitation on the number of takedowns off the Shelf Registration Statement.

## **3. Additional Demand Registrations.**

### **(a) Right to Request Registration**

Any time after the date hereof, the Investor may request registration for resale under the Securities Act of all or part of the Registrable Securities (the "Demand Request") pursuant to a Registration Statement separate from the Shelf Registration Statement (a "Demand Registration"). As promptly as practicable after receipt of the Demand Request, but in any event within thirty (30) days of receipt of the Demand Request, the Company shall file a registration statement registering for resale such number of shares of Registrable Securities held by the Investor as requested to be so registered (including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, a "Demand Registration Statement"). In connection with such Demand Registration, the Company shall cause there to occur Full Cooperation.

(b) Number of Demand Registrations

The Investor will be entitled to request one (1) Fully Marketed Underwritten Offering pursuant to Section 3(a). A registration shall not count as the permitted Demand Registration pursuant to Section 3(a), (i) until the related Demand Registration Statement has become effective, (ii) if the Investor is not able to register and sell all of the Registrable Securities requested to be included in such registration, or (iii) if there was not Full Cooperation in connection therewith.

(c) Priority on Demand Registrations. If the Demand Registration pursuant to this Section 3 involves an underwritten offering and the managing underwriter shall advise the Company that in its opinion the number of securities requested to be included in such registration exceeds the number that can be sold in such offering without having an adverse effect on such offering, including the price at which such securities can be sold, then the Company shall include in such registration the maximum number of securities that such underwriter advises can be so sold without having such effect, allocated (i) first, to Registrable Securities requested by the Investor to be included in such registration and (ii) second, among all securities requested to be included in such registration by any other Persons (including securities to be sold for the account of the Company) allocated among such Persons in such manner as they may agree.

(d) Restrictions on Demand Registrations

The Company may postpone the filing or the effectiveness of a Demand Registration Statement if, based on the good faith judgment of the Company's Board of Directors, such postponement is necessary in order to avoid premature disclosure of a matter the Board of Directors has determined would not be in the best interest of the Company to be disclosed at such time; provided, however, that the Investor requesting such Demand Registration Statement shall be entitled, at any time after receiving notice of such postponement and before such Demand Registration Statement becomes effective, to withdraw such request and, if such request is withdrawn, such Demand Registration shall not count as the permitted Demand Registration. The Company shall provide written notice to the Investor of, and detailed reasons for (x) any postponement of the filing or effectiveness of a Demand Registration Statement pursuant to this Section 3(d), (y) the Company's decision to file or seek effectiveness of such Demand Registration Statement following such postponement and (z) the effectiveness of such Demand Registration Statement. The Company may defer the filing or effectiveness of a particular Demand Registration Statement pursuant to this Section 3(d) only once during any twelve (12) month period. Notwithstanding the provisions of this Section 3(d), the Company may not postpone the filing or effectiveness of a Demand Registration Statement past the date that is the earliest of (a) the date upon which any disclosure of a matter the Board of Directors has determined would not be in the best interest of the Company to be disclosed is disclosed to the public or ceases to be material, (b) thirty (30) days after the date upon which the Board of Directors has determined such matter should not be disclosed and (c) such date that, if such postponement continued, would result in there being more than forty-five (45) days in the aggregate in any twelve (12) month period during which the filing or effectiveness of one or more Registration Statements has been so postponed. The period during which filing or effectiveness is so postponed hereunder is referred to as a "Delay Period."

(e) Effective Period of Demand Registrations

After the Demand Registration filed pursuant to this Agreement has become effective, the Company shall use its best efforts to keep such Demand Registration Statement effective for a period of at least one hundred and eighty (180) days from the date on which the SEC declares such Demand Registration Statement effective plus the duration of any Delay Period and any Blackout Period, or such shorter period that shall terminate when all of the Registrable Securities covered by such Demand Registration Statement has been sold pursuant to such Demand Registration Statement in accordance with the plan of distribution set forth therein. If the Company shall withdraw the Demand Registration Statement pursuant to Section 3(d) hereof (a "Withdrawn Demand Registration"), the Investor shall be entitled to a replacement Demand Registration which (subject to the provisions of this Section 3) the Company shall use its best efforts to keep effective for a period commencing on the effective date of such Demand Registration and ending on the earlier to occur of the date (i) which is one hundred and eighty (180) days from the effective date of such Demand Registration and (ii) on which all of the Registrable Securities covered by such Demand Registration has been sold. Such additional Demand Registration otherwise shall be subject to all of the provisions of this Agreement.

**4. Piggyback Registrations.**

(a) Right to Piggyback

Whenever the Company proposes to publicly sell or register for sale any of its common equity securities pursuant to a registration statement (a "Piggyback Registration Statement") under the Securities Act (other than a registration statement on Form S-8 or on Form S-4 or any similar successor forms thereto), whether for its own account or for the account of one or more securityholders of the Company (a "Piggyback Registration"), the Company shall give prompt written notice to the Investor of its intention to effect such sale or registration and, subject to Sections 4(b) and 4(c), shall include in such transaction all Registrable Securities with respect to which the Company has received a written request from the Investor for inclusion therein within fifteen (15) days after the receipt of the Company's notice. The Company may postpone or withdraw the filing or the effectiveness of a Piggyback Registration at any time in its sole discretion, without prejudice to the Investor's right to immediately request a Demand Registration or Shelf Registration Statement hereunder. A Piggyback Registration shall not be considered a Demand Registration for purposes of Section 3 of this Agreement or a Shelf Registration Statement for purposes of Section 2 of this Agreement.

(b) Priority on Primary Registrations

If a Piggyback Registration is initiated as an underwritten primary registration on behalf of the Company where the primary use of proceeds does not include the repurchase, redemption, acquisition or retirement of capital stock of the Company (a "Stock Repurchase"), and the managing underwriter advises the Company in writing that in its opinion the number of securities requested to be included in such registration exceeds the number that can be sold in such offering without having an adverse effect on such offering, including the price at which such securities can be sold, then the Company shall include in such registration the maximum number of shares that such underwriter advises can be so sold without having such effect, allocated (i) first, to the securities the Company proposes to sell, (ii) second, to the Registrable Securities requested to be included therein by the Investor, and (iii) third, among other securities requested to be included in such registration by other security holders of the Company on such basis as such holders may agree among themselves and the Company.

(c) Priority on Secondary Registrations

If a Piggyback Registration is initiated as an underwritten registration on behalf of a holder of the Company's securities other than Registrable Securities or on behalf of the Company where the use of proceeds includes a Stock Repurchase, and the managing underwriter advises the Company in writing that in its opinion the number of securities requested to be included in such registration exceeds the number that can be sold in such offering without having an adverse effect on such offering, including the price at which such securities can be sold, then the Company shall include in such registration the maximum number of shares that such underwriter advises can be so sold without having such effect, allocated (i) first, to the securities requested to be included therein by the holder(s) requesting such registration if and to the extent that such holder(s) were granted registration rights by the Company prior to the date hereof and (ii) second, to the Registrable Securities requested to be included in such registration by the Investor, and (iii) third, the securities the Company proposes to sell and such other securities requested to be included by other security holders of the Company, on such basis as such holders may agree among themselves and the Company.

**5. Other Registrations**

The Company shall not grant to any Person the right, other than as set forth herein and except to employees of the Company with respect to registrations on Form S-8 (or any successor forms thereto), to request the Company to register any securities of the Company except such rights as are not more favorable than or inconsistent with the rights granted to the Investor and that do not adversely affect the priorities set forth herein of the Investor.

**6. Selection of Underwriters.**

If any of the Registrable Securities covered by a Demand Registration Statement or a Shelf Registration Statement is to be sold in an underwritten offering, the Investor shall have the right to select the managing underwriter(s) to administer the offering subject to the prior approval of the Company, which approval shall not be unreasonably withheld.

**7. Holdback Agreements.**

The Company agrees not to, and shall exercise its best efforts to obtain agreements (in the underwriters' customary form) from its directors, executive officers and beneficial owners of five (5)% or more of the Company's outstanding voting stock not to, directly or indirectly offer, sell, pledge, contract to sell, (including any short sale), grant any option to purchase or otherwise dispose of any equity securities of the Company or enter into any hedging transaction relating to any equity securities of the Company during the one hundred and eighty (180) days beginning on the effective date of any underwritten Demand Registration Statement or any underwritten Piggyback Registration Statement or the pricing date of any underwritten offering pursuant to any Registration Statement (except as part of such underwritten offering or pursuant to registrations on Form S-8 or S-4 or any successor forms thereto) unless the underwriter managing the offering otherwise agrees to a shorter period.

**8. Lock - Up**

If requested by the Company and a managing underwriter, the Investor shall not sell or otherwise transfer or dispose of any Registrable Securities held by it (other than those included in the registration) during the one hundred eighty (180) day period following the effective date of a registration statement of the Company filed under the Securities Act in connection with the public offering of securities of the Company; provided, however, that all officers and directors of the Company and all other persons holding two percent (2%) or more of the Company's outstanding stock enter into similar agreements. Notwithstanding the foregoing, if the underwriters waive any restrictions pursuant to this Section 8 as to any officer or director of the Company, such restrictions shall also be waived as to the Investor and the Registrable Securities.

**9. Procedures.**

(a) In the event that the Investor requests that any Registrable Securities be sold or registered pursuant to this Agreement, the Company shall use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the Investor's intended methods of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(i) prepare and file with the SEC a Registration Statement with respect to such Registrable Securities and use its best efforts to cause such Registration Statement to become effective as soon as practicable thereafter; in any event not later than the time periods stated in Sections 2(a) and 3(a), if and as applicable, and before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including any prospectus supplement for a shelf takedown), furnish to the Investor and the underwriter or underwriters, if any, copies of all such documents proposed to be filed, including documents incorporated by reference in the Prospectus and, if requested by the Investor, the exhibits incorporated by reference, and the Investor (and the underwriter(s), if any) shall have the opportunity to review and comment thereon, and the Company will make such changes and additions thereto as reasonably requested by the Investor (and the underwriter(s), if any) prior to filing any Registration Statement or amendment thereto or any Prospectus or any supplement thereto;

(ii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for a period of not less than

one hundred and eighty (180) days, in the case of a Demand Registration Statement or an aggregate of five years, in the case of a Shelf Registration Statement (plus, in each case, the duration of any Delay Period and any Blackout Period), or such shorter period as is necessary to complete the distribution of the securities covered by such Registration Statement and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the Investor thereof set forth in such Registration Statement and, in the case of the Shelf Registration Statement, prepare such prospectus supplements containing such disclosures as may be reasonably requested by the Investor or any underwriter(s) in connection with each shelf takedown;

(iii) furnish to the Investor such number of copies of such Registration Statement, each amendment and supplement thereto, the Prospectus included in such Registration Statement (including each preliminary Prospectus) and such other documents as the Investor and any underwriter(s) may reasonably request in order to facilitate the disposition of the Registrable Securities, provided, however, that the Company shall have no obligation to furnish copies of a final prospectus if the conditions of Rule 172(c) under the Securities Act are satisfied by the Company;

(iv) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions (domestic or foreign) as the Investor and any underwriter(s) reasonably requests and do any and all other acts and things that may be reasonably necessary or advisable to enable the Investor and any underwriter(s) to consummate the disposition in such jurisdictions of the Registrable Securities (provided, that the Company will not be required to (1) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph (iv), (2) subject itself to taxation in any such jurisdiction or (3) consent to general service of process in any such jurisdiction);

(v) notify the Investor and any underwriter(s), at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein not misleading, and, at the request of the Investor or any underwriter(s), the Company shall prepare a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(vi) in the case of an underwritten offering, (i) enter into such agreements (including underwriting agreements in customary form), (ii) take all such other actions as the Investor or the underwriter(s) reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, causing senior management and other Company personnel to cooperate with the Investor and the underwriter(s) in connection with performing due diligence) and (iii) cause its counsel to issue opinions of counsel in form, substance and scope as are customary in primary underwritten offerings, addressed and delivered to the underwriter(s) and the Investor;

(vii) in connection with each Demand Registration pursuant to Section 3 and each Fully Marketed Underwritten Offering requested by the Investor under Section 2, cause there to occur Full Cooperation and, in all other cases, cause members of senior management of the Company to be available to participate in, and to cooperate with the underwriter(s) in connection with customary marketing activities (including select conference calls and one-on-one meetings with prospective purchasers);

(viii) make available for inspection by the Investor, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by the Investor or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by the Investor, underwriter, attorney, accountant or agent in connection with such Registration Statement;

(ix) use its best efforts to cause all such Registrable Securities to be listed on each securities exchange on which securities of the same class issued by the Company are then listed or, if no such similar securities are then listed, on Nasdaq or a national securities exchange selected by the Company;

(x) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such Registration Statement;

(xi) if requested, cause to be delivered, immediately prior to the pricing of any underwritten offering, immediately prior to effectiveness of each Registration Statement (and, in the case of an underwritten offering, at the time of closing of the sale of Registrable Securities pursuant thereto), letters from the Company's independent registered public accountants addressed to the Investor and each underwriter, if any, stating that such accountants are independent public accountants within the meaning of the Securities Act and the applicable rules and regulations adopted by the SEC thereunder, and otherwise in customary form and covering such financial and accounting matters as are customarily covered by letters of the independent registered public accountants delivered in connection with primary underwritten public offerings;

(xii) make generally available to its Investors a consolidated earnings statement (which need not be audited) for the 12 months beginning after the effective date of a Registration Statement as soon as reasonably practicable after the end of such period, which earnings statement shall satisfy the requirements of an earnings statement under Section 11(a) of the Securities Act; and

(xiii) promptly notify the Investor and the underwriter or underwriters, if any:

(1) when the Registration Statement, any pre-effective amendment, the Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement has been filed and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective;

(2) of any written request by the SEC for amendments or supplements to the Registration Statement or any Prospectus or of any inquiry by the SEC relating to the Registration Statement;

(3) of the notification to the Company by the SEC of its initiation of any proceeding with respect to the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement; and

(4) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction.

(b) The Company represents and warrants that no Registration Statement (including any amendments or supplements thereto and Prospectuses contained therein) shall contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading (except that the Company makes no representation or warranty with respect to information relating to the Investor furnished to the Company by or on behalf of the Investor specifically for use therein).

(c) The Company shall make available to the Investor (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of each Registration Statement and any amendment thereto, each preliminary Prospectus and Prospectus and each amendment or supplement thereto, each letter written by or on behalf of the Company to the SEC or the staff of the SEC (or other governmental agency or self-regulatory body or other body having jurisdiction, including any domestic or foreign securities exchange), and each item of correspondence from the SEC or the staff of the SEC (or other governmental agency or self-regulatory body or other body having jurisdiction, including any domestic or foreign securities exchange), in each case relating to such Registration Statement or to any of the documents incorporated by reference therein, and (ii) such number of copies of a Prospectus, including a preliminary Prospectus, and all amendments and supplements thereto and such other documents as the Investor or any underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities. The Company will promptly notify the Investor of the effectiveness of each Registration Statement or any post-effective amendment or the filing of any supplement or amendment to such Shelf Registration Statement or of any Prospectus supplement. The Company will promptly respond to any and all comments received from the SEC, with a view towards causing each Registration Statement or any amendment thereto to be declared effective by the SEC as soon as practicable, in any event not later than the timeframes stated in Sections 2(a) or 3(a) as and if applicable, and shall file an acceleration request, if necessary, immediately following the resolution or clearance of all SEC comments or, if applicable, following notification by the SEC that any such Registration Statement or any amendment thereto will not be subject to review.

(d) The Company may require the Investor to furnish to the Company any other information regarding the Investor and the distribution of such securities as the Company reasonably determines, based on the advice of counsel, is required to be included in any Registration Statement.

(e) The Investor agrees that, upon notice from the Company of the happening of any event as a result of which the Prospectus included (or deemed included) in such Registration Statement contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein not misleading (a "Suspension Notice"), the Investor will forthwith discontinue disposition of Registrable Securities pursuant to such Registration Statement for a reasonable length of time not to exceed ten (10) days (thirty (30) days in the case of an event described in Section 3(d)) until the Investor is advised in writing by the Company that the use of the Prospectus may be resumed and is furnished with a supplemented or amended Prospectus as contemplated by Section 9(a) hereof; provided, however, that such postponement of sales of Registrable Securities by the Investor shall not exceed forty-five (45) days in the aggregate in any 12 month period. If the Company shall give the Investor any Suspension Notice, the Company shall extend the period of time during which the Company is required to maintain the applicable Registration Statements effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such Suspension Notice to and including the date the Investor either is advised by the Company that the use of the Prospectus may be resumed or receives the copies of the supplemented or amended Prospectus contemplated by Section 9(a) (a "Blackout Period"). In any event, the Company shall not be entitled to deliver more than a total of three (3) Suspension Notices or notices of any Delay Period in any twelve (12) month period.

(f) The Company shall not permit any officer, director, underwriter, broker or any other person acting on behalf of the Company to use any free writing prospectus (as defined in Rule 405 under the Securities Act) in connection with any registration statement covering Registrable Securities, without the prior written consent of the Investor and any underwriter.

## **10. Registration Expenses.**

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees (including SEC registration fees and NASD filing fees), fees and expenses of compliance with securities or blue sky laws, listing application fees, printing expenses, transfer agent's and registrar's fees, cost of distributing Prospectuses in preliminary and final form as well as any supplements thereto, and fees and disbursements of counsel for the Company and all accountants and other Persons retained by the Company (all such expenses being herein called "Registration Expenses") (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of Registrable Securities), shall be borne by the Company. In addition, the Company shall pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which they are to be listed.

(b) The Company shall pay, or shall reimburse the stockholders covered by such registration or sale for, the reasonable fees and disbursements of one law firm chosen by such stockholders as their counsel in connection with each Registration Statement and sale of Registrable Securities pursuant thereto. Notwithstanding anything to the contrary, such payment or reimbursement from the Company shall not exceed \$35,000 per Registration Statement.

(c) The obligation of the Company to bear the expenses described in Section 10(a) and to pay or reimburse the Investor for the expenses described in Section 10(b) shall apply irrespective of whether a registration, once properly demanded, if applicable, becomes effective, is withdrawn or suspended, is converted to another form of registration and irrespective of whether any of the foregoing shall occur.

## **11. Indemnification.**

(a) The Company shall indemnify, to the fullest extent permitted by law, the Investor and its officers, directors, employees and Affiliates and each Person who controls the Investor (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses arising out of or based upon any untrue or alleged untrue statement of material fact contained in any Registration Statement, Prospectus, preliminary Prospectus or any "issuer free writing prospectus" (as defined in Securities Act Rule 433) or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading or any violation or alleged violation by the Company of the Securities Act, the Exchange Act or applicable "blue sky" laws, except insofar as the same are made in reliance and in conformity with information relating to the Investor furnished in writing to the Company by the Investor expressly for use therein. In connection with an underwritten offering, the Company shall indemnify such underwriter(s), their officers, employees and directors and each Person who controls such underwriter(s) (within the meaning of the Securities Act) at least to the same extent as provided above with respect to the indemnification of the Investor.

(b) In connection with any Registration Statement in which the Investor is participating, the Investor shall furnish to the Company in writing such information as the Company reasonably determines, based on the advice of counsel, is required to be included in, any such Registration Statement or Prospectus and, shall indemnify, to the fullest extent permitted by law, the Company, its officers, employees, directors, Affiliates, and each Person who controls the Company (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses arising out of or based upon any untrue or alleged untrue statement of material fact contained in the Registration Statement, Prospectus or preliminary Prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that the same are made in reliance and in conformity with information relating to the Investor furnished in writing to the Company by the Investor expressly for use therein. In no event shall the liability of the Investor be greater in amount than the amount of net proceeds received by the Investor upon such sale.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel (in addition to any local counsel) for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party there may be one or more legal or equitable defenses available to such indemnified party that are in addition to or may conflict with those available to another indemnified party with respect to such claim. Failure to give prompt written notice shall not release the indemnifying party from its obligations hereunder.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities.

(e) If the indemnification provided for in or pursuant to this Section 11 is due in accordance with the terms hereof, but is held by a court to be unavailable or unenforceable in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified Person as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that result in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying party on the one hand and of the indemnified Person on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party, and by such party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. In no event shall the liability of the Investor be greater in amount than the amount of net proceeds received by the Investor upon such sale.

## **12. Liquidated Damages.**

If (a) the Company fails to file the Registration Statement as required under the terms hereof, on or before the applicable dates specified above for such filing, (b) such Registration Statement is not declared effective by the SEC on or prior to the applicable dates specified above for such effectiveness, or (c) such Registration Statement is declared effective but thereafter ceases to be effective or useable in connection with the resales of the Registrable Securities (each such event referred to in clauses (a) through (c) above a "Registration Default"), then the Company will pay liquidated damages to the Investor, with respect to the first ninety (90) day period immediately following the occurrence of such Registration Default in an amount equal to \$0.35 per week per \$1,000 amount of Registrable Securities held by the Investor ("Liquidated Damages"). The amount of Liquidated Damages will increase by an additional \$0.20 per week per \$1,000 amount of Registrable Securities with respect to each subsequent ninety (90) day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of \$3.00 per week per \$1,000 amount of Registrable Securities. All accrued Liquidated Damages shall be paid on each Damages Payment Date by the Company, at the option of the Investor, either by wire transfer of immediately available funds to an account specified by the Investor or by federal funds check by mailing it to the Investor's registered address as it appears in the register of the Company. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease.

## **13. Rule 144.**

The Company covenants that it will timely file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder, and it will take such further action as the Investor may reasonably request to make available adequate current public information with respect to the Company meeting the current public information requirements of Rule 144(c) under the Securities Act, to the extent required to enable the Investor to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC. Upon the request of the Investor, the Company will deliver to the Investor a written statement as to whether it has complied with such information and requirements.



**14. Transfer of Registration Rights.**

(a) The Investor may transfer all or any portion of its then-remaining rights under this Agreement to any transferee who acquires at least 20% of the Investor's common stock or Preferred Stock (each, a "transferee"). Any transfer of registration rights pursuant to this Section 14 shall be effective upon receipt by the Company of (x) written notice from the Investor stating the name and address of any transferee and identifying the amount of Registrable Securities with respect to which the rights under this Agreement are being transferred and the nature of the rights so transferred and (y) a written agreement from the transferee to be bound by all of the terms of this Agreement. In connection with any such transfer, the term "Investor" as used in this Agreement shall, where appropriate to assign such rights to such transferee, be deemed to refer to the transferee holder of such Registrable Securities. The Investor and such transferees may exercise the registration rights hereunder in such proportion (not to exceed the then-remaining rights hereunder) as they shall agree among themselves.

(b) After such transfer, the Investor shall retain its rights under this Agreement with respect to all other Registrable Securities owned by the Investor. Upon the request of the Investor, the Company shall execute a Registration Rights Agreement with such transferee or a proposed transferee substantially similar to the applicable sections of this Agreement.

**15. Conversion or Exchange of Other Securities.**

If the Investor offers Registrable Securities by forward sale, or any options, rights, warrants or other securities issued by it or any other person that are offered with, convertible into or exercisable or exchangeable for any Registrable Securities, the Registrable Securities subject to such forward sale or underlying such options, rights, warrants or other securities shall be eligible for registration pursuant to Sections 2, 3 and 4 of this Agreement.

**16. Miscellaneous.**

(a) Notices

. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be hand delivered or mailed postage prepaid by registered or certified mail or by facsimile transmission (with immediate telephone confirmation thereafter) and, in the case of the Investor, shall also be sent via e-mail,

If to the Company:

WorldWater and Power Corp.  
Pennington Business Park  
55 Route 31 South  
Pennington, NJ 08534  
Attention: Quentin T. Kelly  
Facsimile No.: (609) 818-0720

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

Salvo Landau Gruen & Rogers  
510 Township Line Road, Suite 150  
Blue Bell, Pennsylvania 19422  
Attention: Stephen A. Salvo, Esq.  
Facsimile No.: (215) 653-0383

If to the Investor:

EMCORE Corporation  
145 Belmont Drive  
Somerset, NJ 08873  
Attention: Howard W. Brodie, Esq.  
Facsimile No.: (732) 302-9783

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522  
Attention: Thomas H. Kennedy, Esq.  
Facsimile No.: (212) 735-2000

If to a transferee Investor, to the address of such transferee Investor set forth in the transfer documentation provided to the Company;

in each case with copies to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522  
Attention: Thomas H. Kennedy, Esq.

or at such other address as such party each may specify by written notice to the others, and each such notice, request, consent and other communication shall for all purposes of the Agreement be treated as being effective or having been given when delivered personally, upon one Business Day after being deposited with a courier if delivered by courier, upon receipt of facsimile confirmation if transmitted by facsimile, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and postage prepaid as aforesaid.

(b) No Waivers

. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(c) Successors and Assigns

. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. If the outstanding Common Stock is converted into or exchanged or substituted for other securities issued by any other Person, as a condition to the effectiveness of the merger, consolidation, reclassification, share exchange or other transaction pursuant to which such conversion, exchange, substitution or other transaction takes place, such other Person shall automatically become bound hereby with respect to such other securities constituting Registrable Securities and, if requested by the Investor or a permitted transferee, shall further evidence such obligation by executing and delivering to the Investor and such transferee a written agreement to such effect in form and substance satisfactory to the Investor.

(d) Governing Law

. The internal laws, and not the laws of conflicts (other than Section 5-1401 of the General Obligations Law of the State of New York), of New York shall govern the enforceability and validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

(e) Jurisdiction

. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may only be brought in any federal or state court located in the County and State of New York, and each of the parties hereby consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 16(a) shall be deemed effective service of process on such party.

(f) Waiver of Jury Trial

. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(g) Counterparts; Effectiveness

. This Agreement may be executed in any number of counterparts (including by facsimile) and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

(h) Entire Agreement

. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes and replaces all other prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof.

(i) Captions

. The headings and other captions in this Agreement are for convenience and reference only and shall not be used in interpreting, construing or enforcing any provision of this Agreement.

(j) Severability

. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated 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 a determination, the parties 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 in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

(k) Amendments

. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and the Investor.

(l) Aggregation of Stock

. All Registrable Securities held by or acquired by any Affiliated Persons will be aggregated together for the purpose of determining the availability of any rights under this Agreement.

(m) Remedies

. In the event of a breach by the Company of its obligations under this Agreement, each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that remedy of law would be adequate.

[Execution Page Follows]

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IN WITNESS WHEREOF, this Registration rights Agreement has been duly executed by each of the parties hereto as of the date first written above.

EMCORE Corporation

By: /s/ Howard W. Brodie

Name: Howard W. Brodie

Title: Chief Legal Officer, Executive Vice-President and Secretary

WorldWater & Power Corp.

By: /s/ Quentin T. Kelly

Name: Quentin T. Kelly

Title: Chairman

**PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"). THE OMISSIONS HAVE BEEN INDICATED BY ASTERISKS ("\*\*\*\*\*"), AND THE OMITTED TEXT HAS BEEN FILED SEPARATELY WITH THE COMMISSION.**

**Letter Agreement  
Between  
Emcore and World Water & Power (WWAT)  
November 29, 2006**

Emcore and WorldWater & Power Corp. desire to collaborate on the development and commercialization of concentrator photovoltaic (CPV) power systems using Emcore's proprietary multi-junction solar cells (MJ). This letter agreement ("Letter Agreement") defines the scope and key terms of the strategic relationship to be embodied in a written strategic agreement (the "Strategic Agreement") and separately sets forth certain binding purchase and supply obligations of the parties. The term of the Strategic Agreement will be five years. This Letter Agreement shall be legally binding upon and enforceable against each of the parties and their respective successors and assigns.

1. The parties will collaborate on the design and development of CPV systems using Emcore MJ:

- a. WorldWater & Power Corp. to provide requirements definition of CPV in terrestrial power generation in grid-connected, distributed power, and non-grid applications worldwide.

To this end, Emcore and WorldWater & Power Corp. will establish a joint team to review the current technology status of MJ systems. This team is to prepare a report, and within three months, present this report to the management of both Emcore and WorldWater & Power Corp.

This report will identify a common technology and commercialization platform. This will include development, product verification, pilot demonstration, and manufacturing plan with identifiable, achievable and commercial targets, such as:

- i. Performance
- ii. Reliability
- iii. Design-to-cost (DTC) targets
- iv. Schedule and quantity of prototype and production units

- b. Emcore to design systems and develop production infrastructure to meet or exceed WorldWater & Power Corp. requirements, consistent with common commercial objectives.

This effort will include:

- i. Structural configuration
- ii. Tracking systems
- iii. Control elements
- iv. Focusing lens assembly
- v. Receiver modules including MJ solar cells

- c. WorldWater & Power Corp. to participate in Emcore design reviews and provide guidance on the design, product verification, pilot projects and other efforts related to transition-to-production planning, implementation, and installation.

- d. WorldWater & Power Corp. to provide design and testing support and general consulting on topics such as:

- i. System monitoring
- ii. Performance testing of prototype systems
- iii. Demonstration of application of Emcore CPV systems to core applications such as driving large motors, pumps, and compressors.
- iv. General PV terrestrial systems concepts such as installation, wiring of modules, and inverters.

- e. WorldWater & Power Corp. agrees that Emcore will be its exclusive partner in the development of CPV systems using MJ technology. Exclusivity will continue for so long as Emcore meets the milestones and deliverables agreed upon in the statement of work. In the event that WorldWater & Power Corp. consummates its transaction with Entech, the parties will agree to continued collaboration on design and development of a CPV system using Emcore's MJ technology with the goal of accelerating time to market.

2. Incorporate Emcore cells, concentrators and systems as mutually agreed to, as to their performance, price, delivery and schedules, in WorldWater & Power Corp. proposals and other marketing activities.

- a. WorldWater & Power Corp. to provide bi-monthly updates to Emcore on the status of marketing efforts for Emcore CPV systems. Emcore will be invited to attend all internal marketing meetings and quarterly reviews with WorldWater & Power Corp.'s management.

- b. Emcore to support WorldWater & Power Corp. marketing effort as requested, including:
- i. Preparation of bid packages.
  - ii. Joint presentations to prospective customers.
  - iii. Preparation of marketing collateral.
3. During the term of this Letter Agreement and the Strategic Agreement, WorldWater & Power shall use its best efforts to market and sell to its customers Emcore CPV systems or CPV systems incorporating Emcore MJ or cell assemblies. WorldWater & Power, or third parties introduced by WorldWater & Power that are reasonably acceptable to Emcore, shall provide Emcore supply agreements leading to specific purchase orders for CPV systems, cells and cell assemblies, under which Emcore will supply MJ cells, cell assemblies and systems, with an estimated commercial value of \$100 million to be supplied per the delivery schedule below. Emcore will supply MJ CPV systems that meet customer performance requirements at a market price competitive with other solar energy systems (e.g., MJ CPV, silicon flat plate or silicon CPV); provided that Emcore shall not be required to be the lowest cost supplier of systems. WorldWater & Power will make every effort to incorporate MJ CPV in their bids and will treat Emcore as the exclusive supplier for MJ cells, cell assemblies and systems up to the \$100 million estimated commercial value. Subject to Emcore meeting the conditions set forth in the third sentence of this paragraph, WorldWater & Power, or third parties introduced by WorldWater & Power that are reasonably acceptable to Emcore, shall place CPV system orders with Emcore according to the following schedule:
- a. 1.5 MW to be delivered by Emcore to WorldWater & Power Corp. by 12/31/07; provided, however, that if such a Purchase Order is not issued to Emcore by WorldWater & Power Corp., or by third parties introduced by WorldWater & Power that are reasonably acceptable to Emcore, so that Emcore can reasonably have time to deliver by 12/31/07 on such a Purchase Order, WorldWater & Power Corp. will either (i) place a purchase order (within the specified lead times) for, take delivery of and pay Emcore by 1/31/08 for 40,200 MJ<sup>1</sup> at \$\*\*\*\*\* per cell or (ii) pay Emcore \$\*\*\*\*\* by 1/31/08 in respect of its purchase requirements for calendar 2007.
  - b. 10 MW to be delivered by Emcore to WorldWater & Power Corp. by 12/31/08; provided, however, that if such a Purchase Order is not issued to Emcore by WorldWater & Power Corp., or by third parties introduced by WorldWater & Power that are reasonably acceptable to Emcore, so that Emcore can reasonably have time to deliver by 12/31/08 on such a Purchase Order, WorldWater & Power Corp. will place a purchase order (within the specified lead times) for, take delivery of and pay Emcore by 1/31/09 for 365,600 MJ at \$\*\*\*\*\* per cell; provided, however, that the parties will negotiate in good faith an adjustment to such cell pricing to ensure that the overall CPV system from a price and performance perspective is competitive with other solar energy systems (e.g., MJ CPV, silicon flat plate or silicon CPV). For the sake of clarity, such adjustment may either result in an increase or decrease to the reference price.
  - c. 15 MW to be delivered by Emcore to WorldWater & Power Corp. by 12/31/09; provided, however, that if such a Purchase Order is not issued to Emcore by WorldWater & Power Corp., or by third parties introduced by WorldWater & Power that are reasonably acceptable to Emcore, so that Emcore can reasonably have time to deliver by 12/31/09 on such a Purchase Order, WorldWater & Power Corp. will place a purchase order (within the specified lead times) for, take delivery of and pay Emcore by 1/31/10 for 502,700 MJ at \$\*\*\*\*\* per cell; provided, however, that the parties will negotiate in good faith an adjustment to such cell pricing to ensure that the overall CPV system from a price and performance perspective is competitive with other solar energy systems (e.g., MJ CPV, silicon flat plate or silicon CPV). For the sake of clarity, such adjustment may either result in an increase or decrease to the reference price.
4. Without limiting the MJ purchase obligations set forth in paragraph 3 above, WorldWater & Power Corp. and its subsidiaries and affiliates will purchase MJ exclusively from Emcore, provided Emcore is able to meet mutually agreed price, performance and delivery requirements; provided further that Emcore shall not be required to be the lowest cost provider of the MJ cells to maintain exclusivity.
5. The MJ purchase obligations set forth in paragraph 3 above are irrevocable, non-cancelable and non-reschedulable on a take or pay basis.
6. This Letter Agreement and the Strategic Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, applicable to agreements made and to be performed within such State without regard to its conflicts of laws provisions which may direct the dispute to be resolved in accordance with the laws of another jurisdiction. Each Party consents to the jurisdiction of the Federal District Court for the Southern District of New York, and agrees to waive any objections to as to venue or personal jurisdiction.
7. Each Party hereto hereby acknowledges that all Parties hereto participated equally in the negotiation and drafting of this Letter Agreement and that, accordingly, no court construing this Letter Agreement shall construe it more stringently against one Party than against the other.
8. This Letter Agreement is subject to the confidentiality agreement between the parties entered into on October 9, 2006 (the "Nondisclosure Agreement").
9. Neither party may assign this Letter Agreement without the prior written consent of the other party, except that Emcore may assign its rights under this Letter Agreement in connection with the sale of all or substantially all of the business to which this Letter Agreement relates.
10. This Letter Agreement may be executed in any number of counterparts (including by facsimile) and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Letter Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

[Execution Page Follows]

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IN WITNESS WHEREOF, this Letter Agreement has been duly executed by each of the parties hereto as of the date first written above.

EMCORE Corporation

By: /s/ Howard W. Brodie

Name: Howard W. Brodie

Title: Chief Legal Officer, Executive Vice-President and Secretary

WorldWater & Power Corp.

By: /s/ Quentin T. Kelly

Name: Quentin T. Kelly

Title: Chairman

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<sup>1</sup>Quantities and Pricing based on Part No. 608584, T1000 MJ Cell. The parties may agree to a different cell size. Price per cell to WorldWater & Power Corp. for any other solar cell product will be adjusted accordingly so that Emcore realizes its normal fully yielded and burdened profit margin.



## **Press Release**

### **EMCORE CORPORATION ANNOUNCES STRATEGIC INVESTMENT IN TERRESTRIAL SOLAR COMPANY WORLDWATER & POWER CORP.**

#### **Companies to Cooperate in System Development and Terrestrial Marketing of Solar Concentrator Cells and Solar Power Systems Technology**

#### **EMCORE enters exclusive supply agreement for high efficiency multi- junction solar cells and concentrator subsystems for 26.5 Megawatts over three years**

Somerset, NJ—November 30, 2006— EMCORE CORPORATION (NASDAQ: EMKR), a leading provider of compound semiconductor-based components and subsystems for the broadband, fiber optic, satellite and solar photovoltaic markets, and WorldWater & Power Corp. (OTC BB: WWAT.OB), developer and marketer of photovoltaic systems for terrestrial power generation including proprietary electrical motor drive technology for water pumping, today jointly announced that EMCORE has agreed to invest \$18 million in WorldWater in return for an amount of convertible preferred stock and warrants of WorldWater, equivalent to an approximately 31% equity ownership in WorldWater, or approximately 26.5% on a fully diluted basis.

The two companies also announced the formation of a strategic alliance and supply agreement under which EMCORE is the exclusive supplier of high-efficiency multi-junction solar cells, assemblies and concentrator subsystems to WorldWater with a contract valued at up to \$100 million over the next 3 years.

On November 29, 2006, EMCORE invested \$13.5 million in WorldWater, representing the first tranche of its \$18 million investment. The investment of the remaining \$4.5 million second tranche will occur once the definitive strategic agreement is signed and certain other conditions are met. The parties expect the execution of the definitive strategic agreement and second closing to occur before the end of the year. In connection with the investment, EMCORE will also gain two seats on WorldWater's Board of Directors.

"This strategic investment represents a shift in EMCORE's terrestrial photovoltaic strategy by becoming, with WorldWater, a solution provider rather than just a component supplier. This investment will add strategic strength to both of our companies," said Reuben F. Richards, Jr., President and CEO of EMCORE. "By connecting EMCORE's space and terrestrial cell technology with WorldWater's specialized electrical drives for applications such as pumping water for water utilities and irrigation for farms, we should command a significant segment of the rapidly growing distributed solar energy market in the U.S. and abroad. A significant percentage of the world's electrical consumption is used to run pumps and motors. WorldWater's broad marketing experience and capabilities combined with EMCORE's terrestrial solar cell and system technology will lead to significant market opportunities for utility scale power as well as for markets on the retail side of the meter such as water pumping for agriculture and village scale power. We are impressed with the progress WorldWater has made, particularly in the last year increasing revenues from \$2 million in 2005 to a projected \$17 million for 2006."

Quentin T. Kelly, WorldWater's Founder and Chairman, commented, "Our technological mix is key to this strategic partnership. Concentrated photovoltaic systems are the keys to reducing the cost per watt of power generated. In addition, this major financing from EMCORE will enable WorldWater to substantially increase our core business of blending and/or replacing the electric grid with solar power and supplying solar electric drives able to operate motors and pumps up to 600 hp for large commercial projects, whether in the agricultural, water utility or other industrial fields." Mr. Kelly added, "EMCORE's \$18 million investment will help us to meet our working capital needs in expectation of achieving major growth in revenue next year."

#### **About EMCORE**

EMCORE Corporation offers a broad portfolio of compound semiconductor-based products for the broadband, fiber optic, satellite and solar power markets. EMCORE's Fiber Optic segment offers optical components, subsystems and systems for high speed data and telecommunications networks, cable television (CATV) and fiber-to-the-premises (FTTP). EMCORE's Photovoltaic segment provides products for both satellite and terrestrial applications. For satellite applications, EMCORE offers high efficiency Gallium Arsenide (GaAs) solar cells, Covered Interconnect Cells (CICs) and panels. For terrestrial applications, EMCORE is adapting its high-efficiency GaAs solar cells for use in solar concentrator systems. For further information about EMCORE, visit [www.emcore.com](http://www.emcore.com).

#### **About Worldwater**

WorldWater & Power Corporation is a full-service, international solar electric engineering and water management company with unique, high-powered and patented solar technology that provides solutions to a broad spectrum of the world's electricity and water supply problems. For more information about WorldWater & Power Corp., visit the website at [www.worldwater.com](http://www.worldwater.com).

#### **Disclaimer:**



The information provided herein may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to future events that involve risks and uncertainties. Words such as "expects," "anticipates," "intends," "plans," "believes," and "estimates," and variations of these words and similar expressions, identify these forward-looking statements. Actual operating results may differ materially from such forward-looking statements and are subject to certain risks, including risks arising from: the risk of loss of investment associated with a minority investment in a small cap company with a history of losses; the financial impact of accounting for a percentage of WorldWater's losses under the equity method; the potential cancellation of WorldWater's purchase order in the event EMCORE is unable to develop a cost competitive concentrator system or adapt its solar cells for use in WorldWater's systems; the risks associated with EMCORE's ability to successfully develop and commercialize a concentrator photovoltaic system incorporating EMCORE's multijunction solar cells; and other risks and uncertainties described in EMCORE's filings with the Securities and Exchange Commission. The forward-looking statements contained in this news release are made as of the date hereof, and EMCORE does not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

**Contacts:**

**EMCORE Corporation**

Tom Werthan - Chief Financial Officer

(732) 271-9090

[info@emcore.com](mailto:info@emcore.com)

**TTC Group**

Victor Allgeier

(646) 290-6400

[vic@ttcominc.com](mailto:vic@ttcominc.com)

**WARRANT**

**to Purchase Series D Convertible Preferred Stock of**

**WorldWater and Power Corp.**

Warrant No. 1  
Original Issue  
Date: November 29, 2006

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**THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SHARES IS EFFECTIVE UNDER THE ACT OR (II) THE TRANSACTION IS EXEMPT FROM REGISTRATION UNDER THE ACT AND, IF THE CORPORATION REQUESTS, AN OPINION SATISFACTORY TO THE CORPORATION TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.**

Warrant No. 1

## **Warrant**

### **to Purchase 505,044 Shares (Subject to Adjustment) of Series D Convertible Preferred Stock of WorldWater and Power Corp.**

WorldWater and Power Corp. (the "Company"), a Delaware corporation, for value received, hereby certifies that EMCORE Corporation, a New Jersey corporation, or its registered assigns, is entitled to purchase from the Company 505,044 duly authorized, validly issued, fully paid and nonassessable shares (subject to adjustment as provided herein) of Series D Convertible Preferred Stock, of the Company at the purchase price of \$3.17 per share (the initial "Exercise Price", subject to adjustment as provided herein), at any time or from time to time prior to 5.00 P.M., New York City time on the 29<sup>th</sup> day of November 2016, all subject to the terms, conditions and adjustments set forth below in this Warrant.

## **1. DEFINITIONS**

As used in this Warrant, the following terms have the respective meanings set forth below:

"Affiliate" of any Person means any other Person which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlling," "controlled by" and "under common control with") as used with respect to any Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and/or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"After-Tax Basis" when referring to a payment that is required hereunder (the "target amount"), means a total payment (the "total amount") that, after deduction of all federal, state and local taxes that are required to be paid by the recipient in respect of the receipt or accrual of such total amount, is equal to the target amount.

"Agreed Rate" means the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time, as Citibank, N.A.'s base rate.

"Appraisal Procedure" if applicable, means the following procedure to determine the fair market value, as to any security, for purposes of the definition of "Fair Market Value" or the fair market value, as to any other property (in either case, the "Valuation Amount"). If the amount to be appraised is less than or equal to five hundred thousand dollars (\$500,000), the Valuation Amount shall be determined in good faith by the Board of Directors of the Company (the "Board of Directors"). If the amount to be appraised is greater than five hundred thousand dollars (\$500,000), the Valuation Amount shall be determined in good faith jointly by the Board of Directors and the holders of more than 50% of the issued and outstanding shares of Series D Preferred Stock; provided, however, that any holder of Series D Preferred Stock having a Liquidation Preference greater than five hundred thousand dollars (\$500,000) (an "Appraisal Rights Holder") shall be promptly notified by the Board of Directors of such initially determined Valuation Amount and if such Appraisal Rights Holder notifies the Company that it does not agree on the Valuation Amount within a reasonable period of time (not to exceed twenty (20) days from the notice to the Appraisal Rights Holder), the Valuation Amount shall be determined by an investment banking firm of national recognition, which firm shall be reasonably acceptable to the Board of Directors and the Appraisal Rights Holder. If the Board of Directors and the Appraisal Rights Holder are unable to agree upon an acceptable investment banking firm within ten (10) days after the date either party proposed that one be selected, the investment banking firm will be selected by an arbitrator located in New York, New York, selected by the New York branch of the American Arbitration Association (or if such organization ceases to exist, the arbitrator shall be chosen by a court of competent jurisdiction). The arbitrator shall select the investment banking firm (within ten (10) days of his appointment) from a list, jointly prepared by the Board of Directors and the Appraisal Rights Holder, of not more than six investment banking firms of national standing in the United States, of which no more than three may be named by the Board of Directors and no more than three may be named by the Appraisal Rights Holder. The arbitrator may consider, within the ten-day period allotted, arguments from the parties regarding which investment banking firm to choose, but the selection by the arbitrator shall be made in its sole discretion from the list of six. The Board of Directors and the Appraisal Rights Holder shall submit their respective valuations and other relevant data to the investment banking firm, and the investment banking firm shall, within thirty days of its appointment, make its own determination of the Valuation Amount. The final Valuation Amount for purposes hereof shall be the average of the two Valuation Amounts closest together, as determined by the investment banking firm, from among the Valuation Amounts submitted by the Company and the Appraisal Rights Holder and the Valuation Amount calculated by the investment banking firm. The determination of the final Valuation Amount by such investment-banking firm shall be final and binding upon the parties. The Company shall pay the fees and expenses of the investment banking firm and arbitrator (if any) used to determine the Valuation Amount. If required by any such investment banking firm or arbitrator, the Company shall execute a retainer and engagement letter containing reasonable terms and conditions, including, without limitation, customary provisions concerning the rights of indemnification and contribution by the Company in favor of such investment banking firm or arbitrator and its officers, directors, partners, employees, agents and affiliates.

"Business Day" means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"Commission" means the Securities and Exchange Commission or any other federal agency then administering the Securities Act and other federal securities laws.

"Common Stock" means the Common Stock of the Company, par value \$0.001 per share, as constituted on the Issue Date, and any capital stock into which such Common Stock may thereafter be changed, and shall also include capital stock of the Company of any other class (regardless of how denominated) issued to the holders of shares of any Common Stock upon any reclassification thereof which is also not preferred as to dividends or liquidation over any other class of stock of the Company and which is not subject to redemption.

"Company" means WorldWater and Power Corp., a Delaware corporation, and any successor corporation.

"Designated Office" has the meaning assigned to it in Section 8 hereof.

"Exercise Date" has the meaning assigned to it in Section 2.1(a) hereof.

"Exercise Notice" has the meaning assigned to it in Section 2.1(a) hereof.

"Exercise Price" means, in respect of a share of Warrant Stock at any date herein specified, the initial Exercise Price set forth in the preamble of this Warrant as adjusted from time to time pursuant to Section 4 hereof.

"Expiration Date" means the tenth anniversary of the Issue Date.

"Fair Market Value" means, as to any security, the Twenty Day Average of the average closing prices of such security's sales on all domestic securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted on The Nasdaq National Market System as of 4:00 P.M., New York City time, on such day, or, if on any day such security is not quoted on The Nasdaq National Market System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar or successor organization (and in each such case excluding any trades that are not bona fide, arm's length transactions). If at any time such security is not listed on any domestic securities exchange or quoted on The Nasdaq National Market System or the domestic over-the-counter market, the "Fair Market Value" of such security shall be the fair market value thereof as determined in accordance with the Appraisal Procedure, using any appropriate valuation method, assuming an arms-length sale to an independent party. In determining the Fair Market Value of Series D Preferred Stock, a sale of all of the issued and Outstanding Series D Preferred Stock will be assumed, without giving regard to the lack of liquidity of such stock due to any restrictions (contractual or otherwise) applicable thereto or any discount for minority interests and assuming the conversion or exchange of all securities then Outstanding that are convertible into or exchangeable for Common Stock and the exercise of all rights and warrants then Outstanding and exercisable to purchase shares of such stock or securities convertible into or exchangeable for shares of such stock; provided, however that such assumption will not include those securities, rights and warrants convertible into Common Stock where the conversion, exchange or exercise price per share is greater than the Fair Market Value; provided, further, however, that Fair Market Value shall be determined with regard to the relative priority of each class or series of Common Stock (if more than one class or series exists). "Fair Market Value" means, with respect to property other than securities, the "fair market value" determined in accordance with the Appraisal Procedure.

"GAAP" means United States generally accepted accounting principles consistently applied.

"Governmental Entity" means any national, federal, state, municipal, local, territorial, foreign or other government or any department, commission, board, bureau, agency, regulatory authority or instrumentality thereof, or any court, judicial, administrative or arbitral body or public or private tribunal.

"Holder" means (a) with respect to this Warrant, the Person in whose name the Warrant set forth herein is registered on the books of the Company maintained for such purpose and (b) with respect to any other Warrant or shares of Warrant Stock, the Person in whose name such Warrant or Warrant Stock is registered on the books of the Company maintained for such purpose.

"Issue Date" means November 29, 2006, the date on which the Warrants were issued by the Company pursuant to the Purchase Agreement.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code or comparable law of any jurisdiction).

"Outstanding" means, when used with reference to any class of Company capital stock, at any date as of which the number of shares thereof is to be determined, all issued shares of such class of Company capital stock, except shares then owned or held by or for the account of the Company or any Subsidiary, and shall include all shares issuable in respect of outstanding scrip or any certificates representing fractional interests in shares of Company capital stock.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, incorporated organization, association, corporation, institution, public benefit corporation, Governmental Entity or any other entity.

"Purchase Agreement" means the Investment Agreement by and among the Company and EMCORE Corporation, dated as of November 29, 2006.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Series D Certificate of Designation" means the form of Certificate of Designation, Powers, Preferences and Rights attached as Exhibit C to the Purchase Agreement.

"Series D Preferred Stock" means the Series D Convertible Preferred Stock, par value \$0.01 per share, of the Company.

"Subsidiary" means, with respect to any Person, corporation, association, trust, limited liability company, partnership, joint venture or other business association or entity (i) at least 50% of the outstanding voting securities of which are at the time owned or controlled, directly or indirectly, by the Person; or (ii) with respect to which the Company possesses, directly or indirectly, the power to direct or cause the direction of the affairs or management of such Person.

"Transfer" means any disposition of any Warrant or Warrant Stock or of any interest therein, which would constitute a "sale" thereof or a transfer of a beneficial interest therein within the meaning of the Securities Act.

"Twenty Day Average" means, with respect to any prices and in connection with the calculation of Fair Market Value, the volume weighted average of such prices over the twenty (20) Business Days ending on the Business Day immediately prior to the day as of which "Fair Market Value" is being determined.

"Warrant Price" means an amount equal to (i) the number of shares of Warrant Stock being purchased upon exercise of this Warrant pursuant to Section 2.1 hereof, multiplied by (ii) the Exercise Price.

"Warrants" means all Warrants issued upon transfer, division or combination of, or in substitution for, the Warrants, or any other Warrant subsequently issued to the Holder. All Warrants shall at all times be identical as to terms and conditions, except as to the number of shares of Warrant Stock for which they may be exercised and their date of issuance.

"Warrant Stock" means the shares of Series D Preferred Stock issued, issuable or both (as the context may require) upon the exercise of Warrants.

## 2. EXERCISE OF WARRANT

### 2.1 Manner of Exercise.

(a) From and after the Issue Date and at any time before 5:00 P.M., New York time, on the Expiration Date, the Holder of this Warrant may from time to time exercise this Warrant, on any Business Day, for all or any part of the number of shares of Warrant Stock (subject to adjustment as provided herein) purchasable hereunder. In order to exercise this Warrant, in whole or in part, the Holder shall (i) deliver to the Company at its Designated Office a written notice of the Holder's election to exercise this Warrant (an "Exercise Notice") substantially in the form attached to this Warrant as Annex A (or a reasonable facsimile thereof), which Exercise Notice shall be irrevocable and specify the number of shares of Warrant Stock to be purchased, together with this Warrant and (ii) pay to the Company the Warrant Price. The date on which such delivery and payment shall have taken place being hereinafter sometimes referred to as the "Exercise Date."

(b) Upon receipt by the Company of such Exercise Notice, surrender of this Warrant and payment of the Warrant Price (in accordance with Section 2.1(c) hereof), the Company shall, as promptly as practicable, and in any event within three (3) Business Days thereafter, execute (or cause to be executed) and deliver (or cause to be delivered) to the Holder a certificate or certificates representing the shares of Warrant Stock issuable upon such exercise, together with cash in lieu of any fraction of a share, as hereafter provided. The stock certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as the exercising Holder shall reasonably request in the Exercise Notice and shall be registered in the name of the Holder or, subject to compliance with Section 3.1 below, such other name as shall be designated in the Exercise Notice. This Warrant shall be deemed to have been exercised and such certificate or certificates of Warrant Stock shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such shares of Warrant Stock for all purposes, as of the Exercise Date.

(c) Payment of the Warrant Price shall be made at the option of the Holder by one or more of the following methods: (i) by delivery of a certified or official bank check or by wire transfer of immediately available funds in the amount of such Warrant Price payable to the order of the Company, (ii) by instructing the Company to withhold a number of shares of Warrant Stock then issuable upon exercise of this Warrant with an aggregate Fair Market Value equal to such Warrant Price, (iii) by surrendering to the Company (x) shares of Series D Preferred Stock previously acquired by the Holder with an aggregate Fair Market Value equal to such Warrant Price and/or (y) shares of Series D Preferred Stock with an aggregate Liquidation Preference (as such term is defined in the Series D Certificate of Designation) equal to such Warrant Price, or (iv) any combination of the foregoing. In the event of any withholding of Warrant Stock or surrender of Common Stock and/or Series D Preferred Stock pursuant to clause (ii), (iii) or (iv) above where the number of shares whose Fair Market Value is equal to the Warrant Price is not a whole number, the number of shares withheld by or surrendered to the Company shall be rounded up to the nearest whole share and the Company shall make a cash payment to the Holder based on the incremental fraction of a share being so withheld by or surrendered to the Company in an amount determined in accordance with Section 2.3 hereof.

(d) If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing the shares of Warrant Stock being issued, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased shares of Warrant Stock called for by this Warrant. Such new Warrant shall in all other respects be identical to this Warrant.

(e) All Warrants delivered for exercise shall be canceled by the Company.

2.2 Payment of Taxes. All shares of Warrant Stock issuable upon the exercise of this Warrant pursuant to the terms hereof shall be validly issued, fully paid and nonassessable, issued without violation of any preemptive or similar rights of any stockholder of the Company and free and clear of all Liens. The Company shall pay all expenses in connection with, and all taxes and other governmental charges that may be imposed with respect to, the issue or delivery thereof, unless such tax or charge is imposed by law upon the Holder, in which case such taxes or charges shall be paid by the Holder and the Company shall reimburse the Holder therefor on an After-Tax Basis. The Company shall not, however, be required to pay any tax or governmental charge which may be issuable upon exercise of this Warrant payable in respect of any Transfer involved in the issue and delivery of shares of Warrant Stock in a name other than that of the holder of the Warrants to be exercised, and no such issue or delivery shall be made unless and until the Person request-ing such issue has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

2.3 Fractional Shares. The Company shall not be required to issue a fractional share of Warrant Stock upon exercise of any Warrant.

As to any fraction of a share that the Holder of one or more Warrants, the rights under which are exercised in the same transaction, would otherwise be entitled to purchase upon such exercise, the Company shall pay to such Holder an amount in cash equal to such fraction multiplied by the Fair Market Value of one share of Series D Preferred Stock on the Exercise Date.

2.4 Company to Reaffirm Obligations. The Company will, at the time of each exercise of this Warrant, upon the request of the Holder,

acknowledge in writing its continued obligation to afford to the Holder all rights (including without limitation, any rights to registration, pursuant to the Registration Rights Agreement entered into between the Company and the Holder of the Series D Preferred Stock or any other securities issued upon such exercise) to which the Holder shall continue to be entitled after such exercise in accordance with the terms of this Warrant, provided that if the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford such rights to the Holder.

### 3. TRANSFER, DIVISION AND COMBINATION

3.1 Compliance with Securities Act. The Holder, by acceptance hereof, agrees to comply in all respects with the provisions of this

Section 3.1 and further agrees that this Warrant and the Warrant Stock to be issued upon exercise hereof are being acquired for investment for its own account and that such Holder will not offer, sell or otherwise dispose of this Warrant or any Warrant Stock to be issued upon exercise hereof except under circumstances that will not result in a violation of the Securities Act. This Warrant and all shares of Warrant Stock issued upon exercise of this Warrant (unless registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form:

**THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT.**

In addition, in connection with the issuance of this Warrant, the Holder specifically represents to the Company by acceptance of this Warrant as follows:

(a) The Holder has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Warrant and the business, properties, prospects and financial condition of the Company. This does not limit or modify the representations and warranties of the Company in this Warrant or the right of the Holder to rely thereon.

(b) The Holder understands that the securities it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act, only in certain limited circumstances. In addition, the Holder represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

(c) The Holder acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Warrant and the Warrant Stock. The Holder also represents it has not been organized solely for the purpose of acquiring the Warrant and the Warrant Stock.

(d) Prior to any proposed transfer of this Warrant or the Warrant Stock, unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the Holder of such securities shall give written notice to the Company of such Holder's intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall be accompanied by either (i) a written opinion, of legal counsel who shall be reasonably satisfactory to the Company, addressed to the Company and reasonably satisfactory, in form and substance, to the Company's counsel, to the effect that the proposed transfer of the Warrant and/or Warrant Stock may be effected without registration under the Securities Act, or (ii) a "no action" letter from the Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Commission that enforcement action be taken with respect thereto, whereupon the Holder of such securities shall be entitled to transfer such securities in accordance with the terms of the notice delivered by the Holder to the Company.

(e) The Holder, by acceptance of this Warrant, agrees to the restrictive legend requirements and transfer provisions contained in Section 8.13 of the Purchase Agreement, to the extent such provisions are applicable to this Warrant and the Warrant Stock held by the Holder.

3.2 Transfer. Each new certificate evidencing the Warrant and/or Warrant Stock so transferred shall bear the appropriate restrictive

legends set forth in Section 3.1 hereof, except that such certificate shall not bear such restrictive legend, if, in the opinion of counsel for the Company, such legend is not required in order to establish or assist in compliance with any provisions of the Securities Act or any applicable state securities laws. Upon compliance with the provisions of this Section 3.2, each transfer of this Warrant and all rights hereunder, in whole or in part, shall be registered on the books of the Company to be maintained for such purpose, upon surrender of this Warrant at the Designated Office and compliance with the terms hereof, together with a written assignment of this Warrant in the form of Annex B hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes described in Section 2.2 in connection with the making of such transfer. Upon such compliance, surrender and delivery and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned and this Warrant shall promptly be cancelled.

3.3 Mutilation or Loss. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation

of this Warrant and upon delivery of an indemnity reasonably satisfactory to it (it being understood that the written indemnification agreement of or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant for cancellation to the Company, the Company at its own expense will execute and deliver to the Holder, in lieu hereof a new Warrant of like tenor and exercisable for an equivalent number of shares of Series D Preferred Stock as the Warrant so lost, stolen, mutilated or destroyed; provided, however, that, in the case of mutilation, no indemnity shall be required if this Warrant in identifiable form is surrendered to the Company for cancellation.

3.4 Division and Combination. Subject to compliance with the applicable provisions of this Warrant, this Warrant may be divided or combined with other Warrants upon presentation hereof at the Designated Office, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with the applicable provisions of this Warrant as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice.

3.5 Expenses. The Company shall prepare, issue and deliver at its own expense any new Warrant or Warrants required to be issued hereunder.

3.6 Maintenance of Books. The Company agrees to maintain, at the Designated Office, books for the registration and transfer of the Warrants. The Company may treat the Person in whose name any Warrant is registered on such register as the Holder thereof for all other purposes, and the Company shall not be affected by any notice to the contrary, except that, if and when any Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer thereof as the owner of such Warrant for all purposes.

#### 4. ANTIDILUTION PROVISIONS

The number of shares of Warrant Stock for which this Warrant is exercisable and the Exercise Price shall be subject to adjustment from time to time as set forth in this Section 4.

4.1 Upon Issuance of Series D Preferred Stock. If the Company shall, at any time or from time to time after the Issue Date, issue any shares of Series D Preferred Stock, options to purchase or rights to subscribe for Series D Preferred Stock, securities by their terms convertible into or exchangeable for Series D Preferred Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities without consideration or for consideration per share less than either (x) the Exercise Price in effect immediately prior to the issuance of such Series D Preferred Stock or securities, then such Exercise Price shall forthwith be lowered to a price equal to the consideration per share for which such Series D Preferred Stock was or other securities were issued or (y) the Fair Market Value per share of the Series D Preferred Stock immediately prior to such issuance, if such Fair Market Value is greater than the Exercise Price, then such Exercise Price shall forthwith be lowered to a price equal to the price obtained by multiplying:

(i) the Exercise Price in effect immediately prior to the issuance of such Series D Preferred Stock, options, rights or securities by

(ii) a fraction of which (x) the numerator shall be the sum of (i) the number of shares of Series D Preferred Stock Outstanding on a fully-diluted basis immediately prior to such issuance and (ii) the number of additional shares of Series D Preferred Stock which the aggregate consideration for the number of shares of Series D Preferred Stock so offered would purchase at the Fair Market Value per share of Series D Preferred Stock and (y) the denominator shall be the number of shares of Series D Preferred Stock Outstanding on a fully-diluted basis immediately after such issuance.

4.2 Upon Acquisition of Series D Preferred Stock. If the Company or any Subsidiary shall, at any time or from time to time after the Issue Date, directly or indirectly, redeem, purchase or otherwise acquire any shares of Series D Preferred Stock, options to purchase or rights to subscribe for Series D Preferred Stock, securities by their terms convertible into or exchangeable for Series D Preferred Stock (other than shares of Series D Preferred Stock that are redeemed according to their terms), or options to purchase or rights to subscribe for such convertible or exchangeable securities, for a consideration per share greater than the Fair Market Value (plus, in the case of such options, rights, or securities, the additional consideration required to be paid to the Company upon exercise, conversion or exchange) per share of Series D Preferred Stock immediately prior to such event, then the Exercise Price shall forthwith be lowered to a price equal to the price obtained by multiplying:

(i) the Exercise Price in effect immediately prior to such event by

(ii) a fraction of which (x) the denominator shall be the Fair Market Value per share of Series D Preferred Stock immediately prior to such event and (y) the numerator shall be the result of dividing:

(A) (1) the product of (a) the number of shares of Series D Preferred Stock Outstanding on a fully-diluted basis and (b) the Fair Market Value per share of Series D Preferred Stock, in each case immediately prior to such event, minus (2) the aggregate consideration paid by the Company in such event (plus, in the case of such options, rights, or convertible or exchangeable securities, the aggregate additional consideration to be paid by the Company upon exercise, conversion or exchange), by

(B) the number of shares of Series D Preferred Stock Outstanding on a fully-diluted basis immediately after such event.

4.3 Provisions Applicable to Adjustments. For the purposes of any adjustment of the Exercise Price pursuant to Section 4.1 or 4.2, the following provisions shall be applicable:

(i) In the case of the issuance of Series D Preferred Stock for cash in a public offering or private placement, the consideration shall be deemed to be the amount of cash paid therefor before deducting therefrom any discounts, commissions or placement fees payable by the Company to any underwriter or placement agent in connection with the issuance and sale thereof.

(ii) In the case of the issuance of Series D Preferred Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the Fair Market Value thereof.

(iii) In the case of the issuance of options to purchase or rights to subscribe for Series D Preferred Stock, securities by their terms convertible into or exchangeable for Series D Preferred Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities:

- (A) the aggregate maximum number of shares of Series D Preferred Stock deliverable upon exercise of such options to purchase or rights to subscribe for Series D Preferred Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subparagraphs (i) and (ii) above), if any, received by the Company upon the issuance of such options or rights plus the minimum purchase price provided in such options or rights for the Series D Preferred Stock covered thereby;
- (B) the aggregate maximum number of shares of Series D Preferred Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities, options, or rights were issued and for a consideration equal to the consideration received by the Company for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the Company upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in paragraphs (i) and (ii) above);
- (C) on any change in the number of shares or exercise price of Series D Preferred Stock deliverable upon exercise of any such options or rights or conversions of or exchanges for such securities, other than a change resulting from the anti-dilution provisions thereof, the Exercise Price shall forthwith be readjusted to such Exercise Price as would have been obtained had the adjustment made upon the issuance of such options, rights or securities not converted prior to such change or options or rights related to such securities not converted prior to such change been made upon the basis of such change;
- (D) upon the expiration of any options to purchase or rights to subscribe for Series D Preferred Stock which shall not have been exercised, the Exercise Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if the only additional shares of Series D Preferred Stock issued were the shares of Series D Preferred Stock, if any actually issued upon the exercise of such options to purchase or rights to subscribe for Series D Preferred Stock, and the consideration received therefor was the consideration actually received by the Company for the issue of the options to purchase or rights to subscribe for Series D Preferred Stock that were exercised, plus the consideration actually received by the Company upon such exercise; and
- (E) no further adjustment of the Exercise Price adjusted upon the issuance of any such options, rights, convertible securities or exchangeable securities shall be made as a result of the actual issuance of Series D Preferred Stock on the exercise of any such rights or options or any conversion or exchange of any such securities.

4.4 Upon Stock Dividends, Subdivisions or Splits. If, at any time after the Issue Date, the number of shares of Series D Preferred

Stock Outstanding is increased by a stock dividend payable in shares of Series D Preferred Stock or by a subdivision or split-up of shares of Series D Preferred Stock, then, following the record date for the determination of holders of Series D Preferred Stock entitled to receive such stock dividend, or to be affected by such subdivision or split-up, the Exercise Price shall be appropriately decreased by multiplying the Exercise Price by a fraction, the numerator of which is the number of shares of Series D Preferred Stock Outstanding immediately prior to such increase and the denominator of which is the number of shares of Series D Preferred Stock Outstanding immediately after such increase in Outstanding shares.

4.5 Upon Combinations or Reverse Stock Splits. If, at any time after the Issue Date, the number of shares of Series D Preferred Stock

Outstanding is decreased by a combination or reverse stock split of the Outstanding shares of Series D Preferred Stock into a smaller number of shares of Series D Preferred Stock, then, following the record date to determine shares affected by such combination or reverse stock split, the Exercise Price shall be appropriately increased by multiplying the Exercise Price by a fraction, the numerator of which is the number of shares of Series D Preferred Stock Outstanding immediately prior to such decrease and the denominator of which is the number of shares of Series D Preferred Stock Outstanding immediately after such decrease in Outstanding shares.

4.6 Upon Reclassifications, Reorganizations, Consolidations or Mergers. In the event of any capital reorganization of the Company,

any reclassification of the stock of the Company (other than a change in par value or from par value to no par value or from no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), or any consolidation or merger of the Company with or into another Person (where the Company is not the surviving Person or where there is a change in or distribution with respect to the Series D Preferred Stock), each Warrant shall after such reorganization, reclassification, consolidation, or merger be exercisable for the kind and number of shares of stock or other securities or property of the Company or of the successor Person resulting from such consolidation or surviving such merger, if any, to which the holder of the number of shares of Series D Preferred Stock deliverable (immediately prior to the time of such reorganization, reclassification, consolidation or merger) upon exercise of such Warrant would have been entitled upon such reorganization, reclassification, consolidation or merger. The provisions of this clause shall similarly apply to successive reorganizations, reclassifications, consolidations, or mergers. The Company shall not effect any such reorganization, reclassification, consolidation or merger unless, prior to the consummation thereof, the successor Person (if other than the Company) resulting from such reorganization, reclassification, consolidation or merger, shall assume, by written instrument, the obligation to deliver to the Holders of the Warrant such shares of stock, securities or assets, which, in accordance with the foregoing provisions, such Holders shall be entitled to receive upon such conversion.

4.7 Deferral in Certain Circumstances. In any case in which the provisions of this Section 4 shall require that an adjustment shall

become effective immediately after a record date of an event, the Company may defer until the occurrence of such event (a) issuing to the Holder of any Warrant exercised after such record date and before the occurrence of such event the shares of capital stock issuable upon such exercise by reason of the adjustment required by such event and issuing to such Holder only the shares of capital stock issuable upon such exercise before giving effect to such adjustments, and (b) paying to such Holder any amount in cash in lieu of a fractional share of capital stock pursuant to Section 2.3 above; provided, however,



that the Company shall deliver to such Holder an appropriate instrument or due bills evidencing such Holder's right to receive such additional shares or such cash.

4.8 Other Anti-Dilution Provisions. If the Company has issued or issues any securities at a pre-investment valuation (on a fully diluted basis) of the Company of not more than \$70,000,000 (excluding the total proceeds received by the Company under the Purchase Agreement), containing provisions (including, without limitation, any of the terms of pricing, exercise price, anti-dilution and registration rights) which are more favorable than those set forth herein, the Company will make such provisions (or any more favorable portion thereof) available to the Holder and will use best efforts to enter into amendments necessary to confer such rights on the Holder .

4.9 Appraisal Procedure. In any case in which the provisions of this Section 4 shall necessitate that the Appraisal Procedure be utilized for purposes of determining an adjustment to the Exercise Price, the Company may defer until the completion of the Appraisal Procedure and the determination of the adjustment (1) issuing to the Holder of any Warrant exercised after the date of the event that requires the adjustment and before completion of the Appraisal Procedure and the determination of the adjustment, the shares of capital stock issuable upon such exercise by reason of the adjustment required by such event and issuing to such Holder only the shares of capital stock issuable upon such exercise before giving effect to such adjustment and (2) paying to such Holder any amount in cash in lieu of a fractional share of capital stock pursuant to Section 2.3 above; provided, however, that the Company shall deliver to such Holder an appropriate instrument or due bills evidencing such Holder's right to receive such additional shares or such cash.

4.10 Adjustment of Number of Shares Purchasable. Upon any and each adjustment of the Exercise Price as provided for in Section 4.1, 4.2, 4.4, 4.5 and 4.6, the Holders of the Warrants shall thereafter be entitled to purchase upon the exercise thereof, at the Exercise Price resulting from such adjustment, the number of shares of Warrant Stock (calculated to the nearest 1/100th of a share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Warrant Stock issuable on the exercise hereof immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

4.11 Notice of Adjustment of Exercise Price. Whenever the Exercise Price is adjusted as herein provided:

(i) the Company shall compute the adjusted Exercise Price in accordance with this Section 4 and shall prepare a certificate signed by the treasurer or chief financial officer of the Company setting forth the adjusted Exercise Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at the Designated Office; and

(ii) a notice stating that the Exercise Price has been adjusted and setting forth the adjusted Exercise Price shall forthwith be prepared by the Company, and as soon as practicable after it is prepared, such notice shall be mailed by the Company at its expense to all Holders at their last addresses as they shall appear in the warrant register.

## **5. NO IMPAIRMENT; REGULATORY COMPLIANCE AND COOPERATION; NOTICE OF EXPIRATION**

5.1 The Company shall not by any action, including, without limitation, amending its charter documents or through any reorganization, reclassification, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other similar voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company shall take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Warrant Stock upon the exercise of this Warrant, free and clear of all Liens, and shall use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

5.2 The Company shall deliver to each Holder of Warrants, after the 60th day but before the 30th day prior to the Expiration Date, advance notice of such Expiration Date. If the Company fails to fulfill in a timely manner the notice obligation set forth in the prior sentence, it shall provide such notice as soon as possible thereafter.

## **6. RESERVATION AND AUTHORIZATION OF SERIES D PREFERRED STOCK**

6.1 The Company shall at all times reserve and keep available for issuance upon the exercise of the Warrants such number of its authorized but unissued shares of Series D Preferred Stock as will be required for issuance of the Warrant Stock. All shares of Warrant Stock issuable pursuant to the terms hereof, when issued upon exercise of this Warrant with payment therefor in accordance with the terms hereof, shall be duly and validly issued and fully paid and nonassessable, not subject to preemptive rights and shall be free and clear of all Liens. Before taking any action that would result in an adjustment in the number of shares of Warrant Stock for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction over such action. If any shares of Warrant Stock required to be reserved for issuance upon exercise of Warrants require registration or qualification with any Governmental Entity under any federal or state law (other than under the Securities Act or any state securities law) before such shares may be so issued, the Company will in good faith and as expeditiously as possible and at its expense endeavor to cause such shares to be duly registered.

6.2 Before taking any action that would cause an adjustment reducing the Exercise Price below the then par value (if any) of the shares of Warrant Stock deliverable upon exercise of the Warrant or that would cause the number of shares of Warrant Stock issuable upon exercise of the Warrant to exceed (when taken together with all other Outstanding shares of Series D Preferred Stock) the number of shares of Series D Preferred Stock that the Company is authorized to issue, the Company will take any corporate action that, in the opinion of its counsel, is necessary in order that the Company may validly and legally issue the full number of fully paid and nonassessable shares of Warrant Stock issuable upon exercise of the Warrant at such adjusted exercise price.

## 7. NOTICE OF CORPORATE ACTIONS; TAKING OF RECORD; TRANSFER BOOKS

### 7.1 Notices of Corporate Actions.

In case:

- (a) of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof entitled to receive any dividend (other than a regular periodic dividend payable in cash out of earned surplus in an amount not exceeding the amount of the immediately preceding cash dividend for such period) or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities property, or to receive any other right; or
- (b) of any reclassification of the Series D Preferred Stock (other than a subdivision or combination of the Outstanding shares of Series D Preferred Stock), or of any reorganization, recapitalization, consolidation, merger or share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or
- (c) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or
- (d) the Company or any Subsidiary shall commence a tender offer for all or a portion of the Outstanding shares of Series D Preferred Stock (or shall amend any such tender offer to change the maximum number of shares being sought or the amount or type of consideration being offered therefor);

then the Company shall cause to be filed at the Designated Office, and shall cause to be mailed to all Holders at their last addresses as they shall appear in the warrant register, at least thirty (30) days prior to the applicable record, effective or expiration date hereinafter specified, a notice stating (x) the date, or expected date, on which a record is to be taken for the purpose of such dividend, distribution or granting of rights or warrants, or, if a record is not to be taken, the date as of which the holders of Series D Preferred Stock of record who will be entitled to such dividend, distribution, rights or warrants are to be determined, (y) the date, or expected date, on which such reclassification, reorganization, recapitalization, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Series D Preferred Stock of record shall be entitled to exchange their shares of Series D Preferred Stock for securities, cash or other property deliverable upon such reclassification, reorganization, recapitalization, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up, or (z) the date, or expected date, on which such tender offer commenced, the date, or the expected date, on which such tender offer is scheduled to expire unless extended, the consideration offered and the other material terms thereof (or the material terms of the amendment thereto). Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action on the Exercise Price and the number and kind or class of shares or other securities or property which shall be deliverable or purchasable upon the occurrence of such action or deliverable upon exercise of the Warrants. Neither the failure to give any such notice nor any defect therein shall affect the legality or validity of any action described in clauses (a) through (d) of this Section 7.1.

7.2 Taking of Record. In the case of all dividends or other distributions by the Company to the holders of its Series D Preferred Stock with respect to which any provision hereof refers to the taking of a record of such holders, the Company will in each such case take such a record and will take such record as of the close of business on a Business Day.

7.3 Closing of Transfer Books. The Company shall not at any time close its stock transfer books or warrant transfer books so as to result in preventing or delaying the exercise or transfer of any Warrant.

## 8. OFFICE OF THE COMPANY

As long as any of the Warrants remain outstanding, the Company shall maintain an office or agency, which may be the principal executive offices of the Company (the "Designated Office"), where the Warrants may be presented for exercise, registration of transfer, division or combination as provided in this Warrant. Such Designated Office shall initially be the office of the Company at Pennington Business Park, 55 Route 31 South, Pennington, NJ 08534. The Company may from time to time change the Designated Office to another office of the Company or its agent within the United States by notice given to all registered Holders at least ten (10) Business Days prior to the effective date of such change.

## 9. FINANCIAL AND BUSINESS INFORMATION

Without duplication of any document or information provided to the Holder pursuant to Section 8 of the Purchase Agreement, the Company shall provide to each Holder of Warrants or Warrant Stock the following, whether or not the Company's obligations under such Section 8 shall have expired:

- (a) as soon as available, but not later than 45 days after the end of each quarterly accounting period, a Form 10-Q;
- (b) as soon as available, but not later than 90 days after the end of each fiscal year, a Form 10-K;
- (c) simultaneously with any distribution of any document to the stockholders of the Company generally, any such document so distributed; and
- (d) reasonable access, upon reasonable advance notice, to the Holder, the Affiliates of the Holder and each of their respective officers, employees, advisors, counsel and other authorized representatives, during normal business hours, to all of the books, records and properties of the Company and its Subsidiaries and all officers and employees of the Company and such Subsidiaries.

## 10. DILUTION FEE

(a) In the event that any dividends are declared or paid or any other distribution is made on or with respect to the Series D Preferred Stock, the Holder of this Warrant as of the record date established by the Board of Directors for such dividend or distribution on the Common Stock shall be entitled to receive a fee (the "Dilution Fee") in an amount (whether in the form of cash, securities or other property) equal to the amount (and in the form) of the dividends or distribution that such Holder would have received had the Warrant been exercised as of the date immediately prior to the record date for such dividend or distribution, such Dilution Fee to be payable on the same payment date established by the Board of Directors for the payment of such dividend or distribution; provided, however, that if the Company declares and pays a dividend or distribution on the Series D Preferred Stock consisting in whole or in part of Series D Preferred Stock, then no such Dilution Fee shall be payable in respect of the Warrant on account of the portion of such dividend or distribution on the Series D Preferred Stock payable in Series D Preferred Stock and in lieu thereof the adjustment in Section 4 hereof shall apply. The record date for any such Dilution Fee shall be the record date for the applicable dividend or distribution on the Series D Preferred Stock, and any such Dilution Fee shall be payable to the Persons in whose name the Warrant is registered at the close of business on the applicable record date.

(b) No dividend shall be paid or declared on any share of Series D Preferred Stock (other than dividends payable in Series D Preferred Stock for which an adjustment was made pursuant to Section 4 hereof), unless the Dilution Fee, payable in the same consideration and manner, is simultaneously paid or provided for, as the case may be, in respect of this Warrant in an amount determined as set forth above. For purposes hereof, the term "dividends" shall include any pro rata distribution by the Company, out of funds of the Company legally available therefor, of cash, property, securities (including, but not limited to, rights, warrants or options) or other property or assets to the holders of the Series D Preferred Stock, whether or not paid out of capital, surplus or earnings other than liquidation.

(c) Prior to declaring any dividend or making any distribution on or with respect to shares of Series D Preferred Stock, the Company shall take all prior corporate action necessary to authorize the issuance of any securities payable as the Dilution Fee in respect of the Warrant.

## 11. MISCELLANEOUS

11.1 No Implied Waivers. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

### 11.2 Notices

. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be hand delivered or mailed postage prepaid by registered or certified mail or transmitted by facsimile transmission (with immediate telephonic confirmation thereafter),

(a) If to the Holder:

EMCORE Corporation  
145 Belmont Drive  
Somerset, New Jersey 08873  
Attention: Howard W. Brodie, Esq.  
Facsimile No.: (732) 302-9783

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

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, NY 10036-6522  
Attention: Thomas H. Kennedy, Esq.  
Facsimile No.: (212) 735-2000  
or

(b) If to the Company:

WorldWater and Power Corp.  
Pennington Business Park  
55 Route 31 South  
Pennington, NJ 08534  
Attention: Quentin T. Kelly  
Facsimile No.: (609) 818-0720

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

Salvo Landau Gruen & Rogers  
501 Township Line Road, Suite 150  
Blue Bell, Pennsylvania 19422  
Attention: Stephen A. Salvo, Esq.

or at such other address as the parties each may specify by written notice to the others, and each such notice, request, consent and other communication shall for all purposes of the Warrant be treated as being effective or having been given when delivered if delivered personally, upon receipt of facsimile confirmation if transmitted by facsimile, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and postage prepaid as aforesaid.

11.3 Indemnification. If the Company fails to make, when due, any payments provided for in this Warrant, the Company shall pay to the Holder hereof (a) interest at the Agreed Rate on any amounts due and owing to such Holder and (b) such further amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees and expenses incurred by such Holder in collecting any amounts due hereunder. The Company shall indemnify, save and hold harmless the Holder hereof and the Holders of any Warrant Stock issued upon the exercise hereof from and against any and all liability, loss, cost, damage, reasonable attorneys' and accountants' fees and expenses, court costs and all other out-of-pocket expenses incurred in connection with or arising from any default hereunder by the Company. This indemnification provision shall be in addition to the rights of such Holder or Holders to bring an action against the Company for breach of contract based on such default hereunder.

11.4 Limitation of Liability. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Warrant Stock, and no enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of such Holder to pay the Exercise Price for any Warrant Stock other than pursuant to an exercise of this Warrant or any liability as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder of the Company and nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matters or any rights whatsoever as a stockholder of the Company.

11.5 Remedies. Each Holder of Warrants and/or Warrant Stock, in addition to being entitled to exercise its rights granted by law, including recovery of damages, shall be entitled to specific performance of its rights provided under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees, in an action for specific performance, to waive the defense that a remedy at law would be adequate.

11.6 Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the permitted successors and assigns of the Holder hereof, such permitted successors and/or assigns shall be deemed to be a Holder for all purposes hereunder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and to the extent applicable, all Holders of shares of Warrant Stock issued upon the exercise hereof (including transferees), and shall be enforceable by any such Holder.

11.7 Amendment. This Warrant and all other Warrants may be modified or amended or the provisions hereof waived only with the written consent of the Company and the Holders. Notwithstanding the foregoing, without a Holder's written consent no such modification, amendment or waiver shall affect adversely such Holder's rights hereunder in a discriminatory manner inconsistent with its adverse effects on rights of other Holders hereunder (other than as reflected by the different number of shares of Warrant Stock held by such Holders). This Warrant cannot be changed, modified, discharged or terminated by oral agreement.

11.8 Severability. If any term, provision or restriction of this Warrant is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions and restrictions of this Warrant shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of this Warrant is not affected in any manner materially adverse to either party. Upon such a determination, the parties shall negotiate in good faith to modify this Warrant so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

11.9 Headings. The headings and other captions in this Warrant are for the convenience and reference only and shall not be used in interpreting, construing or enforcing any provision of this Warrant.

11.10 Governing Law. This Warrant, including all matters of construction, validity and performance, shall be construed in accordance with and governed by the Laws of the State of New York (without regard to principles of conflicts of Laws).

11.11 Jurisdiction. Each of the parties hereto: (a) irrevocably consents to submit itself to the exclusive jurisdiction and venue of the state courts located in New York County, in the State of New York and the Federal courts located in the Southern District of the State of New York, for the purpose of any action or proceeding arising out of this Warrant or any of the transactions contemplated hereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Warrant or any of the transactions contemplated hereby in any court other than a state or federal court of competent jurisdiction located in New York, New York, except for the purpose of enforcing any award or decision.

11.12 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.13 Aggregation of Stock. All Warrant Stock held by or acquired by Affiliated Persons will be aggregated together for the purpose of determining the availability of any rights under this Warrant.

11.14 Entire Agreement. This Warrant contains the entire agreement with respect to the subject matter hereof and supersedes and replaces all other prior agreements, written or oral, with respect to the subject matter hereof.



IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the Issue Date.

WorldWater and Power Corp.

By: /s/ Quentin T. Kelly

Name: Quentin T. Kelly

Title: Chairman

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ANNEX A

SUBSCRIPTION FORM

[To be executed only upon exercise of Warrant]

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for the purchase of \_\_\_\_\_ shares of Series D Preferred Stock of WorldWater and Power Corp. and herewith makes payment therefor in \_\_\_\_\_, all at the price and on the terms and conditions specified in this Warrant and requests that certificates for the shares of Series D Preferred Stock hereby purchased (and any securities or other property issuable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_ and, if such shares of Series D Preferred Stock shall not include all of the shares of Series D Preferred Stock issuable as provided in this Warrant, that a new Warrant of like tenor and date for the balance of the shares of Series D Preferred Stock issuable hereunder be delivered to the undersigned.

\_\_\_\_\_

(Name of Registered Owner)

\_\_\_\_\_

(Signature of Registered Owner)

\_\_\_\_\_

(Street Address)

\_\_\_\_\_

(City) (State) (Zip Code)

NOTICE: The signature on this subscription must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlarge-ment or any change whatsoever.

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ANNEX B

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the assignee named below all of the rights of the undersigned under this Warrant, with respect to the number of shares of Series D Preferred Stock set forth below:

Name and Address of Assignee		No. of Shares of Series D Preferred Stock

and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney-in-fact to register such transfer onto the books of WorldWater and Power Corp. maintained for the purpose, with full power of substitution in the premises.

Dated:

Print Name:

Signature:

Witness:

NOTICE:      The signature on this assignment must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlarge-ment or any change whatsoever.



**CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS**  
**OF SERIES D CONVERTIBLE PREFERRED STOCK OF**  
**WORLDWATER & POWER CORP.**

WorldWater & Power Corp., a Delaware corporation (the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation:

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Corporation (the "Board of Directors") by the provisions of the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), there is hereby created, out of the 10,000,000 shares of preferred stock, par value \$0.01 per share, of the Corporation authorized in Article Four of the Certificate of Incorporation (the "Preferred Stock"), a series of the Preferred Stock consisting of eight million shares, which series shall have the following powers, designations, preferences and relative, participating, optional or other rights, and the following qualifications, limitations and restrictions (in addition to any powers, designations, preferences and relative, participating, optional or other rights, and any qualifications, limitations and restrictions, set forth in the Certificate of Incorporation which are applicable to the Preferred Stock):

**Series D Convertible Preferred Stock**

i. **Designation and Amount.** The shares of such series of preferred stock shall be designated as the Series D Convertible Preferred Stock (the "**Series D Preferred Stock**") and the number of shares initially constituting such series shall be eight million shares.

ii. **Dividends.**

(1) In the event any dividends are declared or paid or any other distribution is made on or with respect to the common stock, par value \$0.001, of the Corporation (the "Common Stock"), the holder of each share of Series D Preferred Stock as of the record date established by the Board of Directors for such dividend or distribution on the Common Stock shall be entitled to receive dividends in an amount equal to the amount of the dividends or distribution that such holder would have received had the holder converted its shares of Series D Preferred Stock into shares of Common Stock as of the date immediately prior to the record date for such dividend or distribution on the Common Stock, such dividends to be payable on the same payment date established by the Board of Directors for the payment of such dividend or distribution on the Common Stock; provided, however, that such dividend shall be payable, at the option of the holder of each share of Series D Preferred Stock, (i) in a number of shares of Series D Preferred Stock having a Fair Market Value on the date of payment of such dividend equal to the aggregate amount of such cash dividends otherwise payable to such holder on such date, with cash being paid in lieu of fractional shares of Common Stock or (ii) in an amount of cash equal to the Fair Market Value of such shares of Series D Preferred Stock or (iii) in any combination of the foregoing. The record date for any such dividend shall be the record date for the applicable dividend or distribution on the Common Stock, and any such dividends shall be payable to the Persons in whose name the Series D Preferred Stock is registered at the close of business on the applicable record date.

(2) No dividend shall be paid or declared on any share of Common Stock, unless a dividend, payable in the same consideration and manner, is simultaneously paid or declared, as the case may be, on each share of Series D Preferred Stock in an amount determined as set forth above. For purposes hereof, the term "dividends" shall include any pro rata distribution by the Corporation of cash, property, securities (including, but not limited to, rights, warrants or options) or other property or assets to the holders of the Common Stock, whether or not paid out of capital, surplus or earnings, other than a distribution upon liquidation of the Corporation in accordance with Section 3 hereof.

(3) No subdivision, combination, consolidation or reclassification shall be effected with respect to the Common Stock unless a proportionate subdivision, combination, consolidation or reclassification, effected in the same manner, is simultaneously effected with respect to each share of Series D Preferred Stock, and no subdivision, combination, consolidation or reclassification shall be effected with respect to the Series D Preferred Stock unless a proportionate subdivision, combination, consolidation or reclassification, effected in the same manner, is simultaneously effected with respect to each share of Common Stock.

(4) Prior to declaring any dividend or making any distribution on or with respect to shares of Common Stock, the Corporation shall take all prior corporate action necessary to authorize the issuance of any securities payable as a dividend in respect of the Series D Preferred Stock.

iii. **Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (a "**Liquidation**"):

(2) In the event of a Liquidation, the holders of the Series D Preferred Stock then outstanding shall be entitled to receive out of the available assets of the Corporation, whether such assets are stated capital or surplus of any nature, an amount on such date equal to \$2.76 (the "Issue Price") per share of Series D Preferred Stock (as adjusted for any subdivision, combination, consolidation or reclassification with respect to the Series D Preferred Stock), plus the amount of any declared but unpaid dividends thereon as of such date, calculated pursuant to Section B (the "**Liquidation Preference**"). Such payment shall be made before any payment shall be made or any assets distributed to the holders of any class or series of the Common Stock or any other class or series of the Corporation's capital stock ranking junior as to liquidation rights to the Series D Preferred Stock. Following payment to the holders of the Series D Preferred Stock of the full preferential amounts described in the first two sentence of this Section C(1), the remaining assets (if any) of the Corporation available for distribution to stockholders of the Corporation shall be distributed, subject to the rights of the holders of shares of any other series

of Preferred Stock ranking prior to the Common Stock as to distributions upon Liquidation, pro rata among the holders of the Common Stock. It being agreed and understood that the holders of the Series D Preferred Stock will be entitled to participate with the holders of Common Stock in the distribution of any remaining proceeds to the holders of Common Stock as if the Series D Preferred Stock had been converted into shares of Common Stock immediately prior to such Liquidation. If upon any Liquidation, the assets available for payment of the Liquidation Preference are insufficient to permit the payment to the holders of the Series D Preferred Stock of the full Liquidation Preference, then all the remaining available assets shall be distributed among the holders of the then outstanding Series D Preferred Stock pro rata according to the number of then outstanding shares of Series D Preferred Stock held by each holder thereof.

(3) The (i) consolidation or merger of the Corporation into or with any other entity or entities (except a consolidation or merger into a subsidiary or merger in which the Corporation is the surviving corporation and the holders of the Corporation's voting stock outstanding immediately prior to the transaction constitute the holders of a majority of the voting stock outstanding immediately following the transaction), (ii) the sale, lease, disposition or transfer by the Corporation of all or substantially all its assets, or (iii) the sale, exchange or transfer by the Corporation's stockholders, in a single transaction or series of related transactions, of capital stock representing at least fifty (50%) of the voting power of the Corporation shall be deemed to be a Liquidation (subject to the provisions of this Section C and not the provisions of Section E(8) hereof, unless Section E(8) is elected in the following proviso); provided, however, that the holders of at least sixty-five percent (65%) of the then outstanding shares of Series D Preferred Stock shall have the right to elect that the benefits of the provisions of Section E(8) apply to all outstanding shares of Series D Preferred Stock in lieu of receiving payment upon a Liquidation pursuant to this Section C. The events set forth in clauses (i), (ii) and (iii) above are hereinafter referred to as "Deemed Liquidation Events".

i. Voting.

(1) Except as otherwise provided by applicable law and in addition to any voting rights provided by law, the holders of outstanding shares of the Series D Preferred Stock shall:

- (i) be entitled to vote together with the holders of the Common Stock as a single class on all matters submitted for a vote of holders of Common Stock;
- (ii) have such other voting rights as are specified in the Certificate of Incorporation or as otherwise provided by Delaware law; and
- (iii) be entitled to receive notice of any stockholders' meeting in accordance with the Certificate of Incorporation and by-laws of the Corporation.

For purposes of the voting rights set forth in this Section (D)(i), each share of Series D Preferred Stock shall entitle the holder thereof to cast one vote for each vote that such holder would be entitled to cast had such holder converted its shares of Series D Preferred Stock into shares of Common Stock as of the date immediately prior to the record date for determining the stockholders of the Corporation eligible to vote on any such matter.

(2) For so long as the beneficial ownership by the holders of Series D Preferred Stock (on a fully-diluted basis) does not fall below ten percent (10%) of the then outstanding shares of Common Stock, the holders of Series D Preferred Stock shall have the exclusive right, voting separately as a single class, to elect two members of the Board of Directors (such directors being referred to as the "Preferred Stock Directors"). In any such election the holders of Series D Preferred Stock shall be entitled to cast one vote per share of Series D Preferred Stock held of record on the record date for the determination of the holders of Series D Preferred Stock entitled to vote on such election. The initial Preferred Stock Directors shall be two individuals who are designated by EMCORE Corporation to serve until each of his or her successors are duly elected; and thereafter the Preferred Stock Directors shall be elected at the same time as other members of the Board of Directors. The Preferred Stock Directors may only be removed by the vote of the holders of a majority of the Series D Preferred Stock, at a vote of the then outstanding shares of Series D Preferred Stock, voting as a single class, at a meeting called for such purpose (or by written consent in lieu of such a meeting). If for any reason either, or both, of the Preferred Stock Directors shall resign or otherwise be removed from the Board of Directors, then each of his or her replacement shall be a Person elected by the holders of the Series D Preferred Stock, in accordance with the voting procedures set forth in this Section D(2). However, the holders of the Series D Preferred Shares shall: (a) only be entitled to separately, as a single class, elect one member of the Board of Directors if the beneficial ownership by the holders of Series D Preferred Stock of the Corporation's capital stock (on a fully-diluted basis) is between five percent (5%) and ten percent (10%) of the then outstanding shares of Common Stock and (b) not be entitled to separately, as a single class, elect a member of the Board of Directors if the beneficial ownership by the holders of Series D Preferred Stock (on a fully-diluted basis) falls below five percent (5%) of the then outstanding shares of Common Stock.

(3) In addition to any other vote required by law or the Certificate of Incorporation, so long as any shares of the Series D Preferred Stock, without the written consent of the holders of at least three-quarters in interest of the then outstanding shares of Series D Preferred Stock, given in writing or by a vote at a meeting, consenting or voting (as the case may be) separately as one class, the Corporation will not authorize, create or issue any class of capital stock having any preference or priority over, or parity with, the Series D Preferred Stock, increase the authorized number of shares of the Series D Preferred Stock or create or authorize any obligation or security convertible into shares of any such class of capital stock, whether any such authorization, creation or issuance shall be by means of amendment to the Certificate of Incorporation or by merger, consolidation or otherwise.

(4) In addition to any approval rights otherwise granted to any holder of Series D Preferred Stock (including any such approval rights granted pursuant to applicable law and any agreement between the Corporation and EMCORE Corporation), for so long as any shares of Series D Preferred Stock remain outstanding, the Corporation shall not, without the written consent or affirmative vote of the holders of at least three-quarters of the outstanding shares of Series D Preferred Stock, voting as a single class:

- (i) liquidate, dissolve or wind-up the affairs of the Corporation, or effect any Deemed Liquidation Event or any recapitalization or reorganization of the Corporation;
- (ii) amend, alter, or repeal any provision of its Certificate of Incorporation or bylaws in a manner adverse to the holders of Series D Preferred Stock;
- (iii) purchase or redeem or pay any dividend on any capital stock prior to the Series D Preferred Stock, other than stock repurchased from former employees or consultants in connection with the cessation of their employment/services, at the lower of fair market value or cost, other than as approved by the Board, including the approval of the Preferred Stock Directors;

(iv) create or authorize the creation of any debt security if the Corporation's aggregate indebtedness would exceed \$100,000 unless such debt security has received the prior approval of the Board of Directors, including the approval of the Preferred Stock Directors;

(v) increase or decrease the size of the Board of Directors;

(vi) materially alter or change the nature of the business of the Corporation taken as a whole as it is currently conducted or currently planned to be conducted;

(vii) agree or otherwise commit to take any of the actions set forth above.

ii. Conversion. The holders of shares of Series D Preferred Stock shall have the following conversion rights and obligations:

1. Right to Convert. Subject to the terms and conditions of this Section E, the holder of any share or shares of Series D Preferred Stock shall have the right, at its option at any time, to convert any such shares of Series D Preferred Stock (except that upon any Liquidation, the right of conversion shall terminate at the close of business on the business day fixed for payment of the amount distributable on the Series D Preferred Stock) into such number of fully paid and nonassessable shares of Common Stock as is obtained by (i) multiplying the number of shares of Series D Preferred Stock so to be converted by the Issue Price and (ii) dividing the result by the Series D Conversion Price. Such rights of conversion shall be exercised by the holder thereof by giving written notice that the holder elects to convert a stated number of shares of Series D Preferred Stock into Common Stock and by surrender of one or more certificate or certificates for the shares so to be converted to the Corporation at its principal office (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of Series D Preferred Stock) at any time during its usual business hours, together with a statement of the name or names (with address) in which the certificate or certificates for shares of Common Stock shall be issued. Notwithstanding any other provisions hereof, if a conversion of Series D Preferred Stock is to be made in connection with any transaction affecting the Corporation, the conversion of any shares of Series D Preferred Stock, may, at the election of the holder thereof, be conditioned upon the consummation of such transaction, in which case such conversion shall not be deemed to be effective until such transaction has been consummated, subject in all events to the terms hereof applicable to such transaction. For purposes hereof, "Series D Conversion Price" shall initially mean \$0.276 per share or, in case an adjustment of such price has taken place pursuant to the further provisions of this Section E, then by the conversion price as last adjusted and in effect at the date any share or shares of Series D Preferred Stock are surrendered for conversion (subject to appropriate adjustment in the event of any stock split, recapitalization, reclassification or similar event).

2. Reserved

3. Mechanics of Conversion. Before any holder of Series D Preferred Stock shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates for such Series D Preferred Stock, duly endorsed, at the office of the Corporation or of any transfer agent for the Series D Preferred Stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of receipt of the written notice referred to in Section E(1) and surrender of the shares of Series D Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

4. Fractional Shares; Partial Conversion. No fractional shares shall be issued upon conversion of Series D Preferred Stock into Common Stock and no payment or adjustment shall be made upon any such conversion with respect to any cash dividends previously paid or payable on the Common Stock issued upon such conversion. In case the number of shares of Series D Preferred Stock represented by the certificate or certificates surrendered pursuant to Section E(1) exceeds the number of shares converted, the Corporation shall, upon such conversion, execute and deliver to the holder, at the expense of the Corporation, a new certificate or certificates for the number of shares of Series D Preferred Stock represented by the certificate or certificates surrendered which are not to be converted. If any fractional share of Common Stock would, except for the provisions of the first sentence of this paragraph 4, be delivered upon such conversion, the Corporation, in lieu of delivering such fractional share, shall pay to the holder surrendering the Series D Preferred Stock for conversion an amount in cash equal to the closing price of such fractional share as quoted on the NASDAQ National Market System or the Over-the-Counter Bulletin Board as reported by the National Quotation Bureau, Incorporated, or any similar or successor organisation on the last business day before conversion, and based upon the aggregate number of shares of Series D Preferred Stock surrendered by any one holder.

5. Adjustment of Series D Conversion Price Upon Issuance of Common Stock. Except as provided in paragraphs 6 and 7, if and whenever the Corporation shall issue or sell, or is, in accordance with subparagraphs 5(a) through 5(h), deemed to have issued or sold, any shares of Common Stock for a consideration per share less than the Series D Conversion Price in effect immediately prior to the time of such issue or sale, then, forthwith upon such issue or sale, the Series D Conversion Price shall be reduced to the price determined by dividing (i) an amount equal to the sum of (A) the number of shares of Common Stock and Common Stock equivalents outstanding immediately prior to such issue or sale calculated on a fully diluted basis assuming conversion of all Series D Preferred Stock and the exercise or exchange of all outstanding derivative securities exercisable or exchangeable for Common Stock (not including, for purposes of this formula, Common Stock reserved for issuance pursuant to an Option or similar agreement) multiplied by the then existing Series D Conversion Price and (B) the consideration, if any, received by the Corporation upon such issue or sale, by (ii) an amount equal to the sum of (A) the total number of shares of Common Stock outstanding immediately prior to such issue or sale calculated on a fully diluted basis assuming conversion of all Series D Preferred Stock and the exercise or exchange of all outstanding derivative securities exercisable or exchangeable for Common Stock (not including, for purposes of this formula, Common Stock reserved for issuance pursuant to an option plan or similar agreement), but excluding any shares of Common Stock issuable as a result of the application of any anti-dilution adjustment and (B) the total number of shares of Common Stock issuable in such issue or sale.

For purposes of this paragraph (5), the following subparagraphs (5)(a) to (5)(h) shall also be applicable:

(a) Issuance of Rights or Options. In case at any time the Corporation shall in any manner grant (whether directly or by assumption in a merger or otherwise) any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or security convertible into or exchangeable for Common Stock (such warrants, rights or options being called "Options" and such convertible or exchangeable stock or securities being called "Convertible Securities"), whether or not such Options or the right to convert or exchange any such

Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or upon the conversion or exchange of such Convertible Securities (determined by dividing (i) the total amount, if any, received or receivable by the Corporation as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Corporation upon the exercise of all such Options, plus, in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the Series D Conversion Price in effect immediately prior to the time of the granting of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to have been issued for such price per share as of the date of granting of such Options or the issuance of such Convertible Securities and thereafter shall be deemed to be outstanding. Except as otherwise provided in subparagraph 5(c), no adjustment of the Series D Conversion Price shall be made upon the actual issuance of such Common Stock or of such Convertible Securities upon exercise of such Options or upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. In case the Corporation shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (i) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Series D Conversion Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall be deemed to have been issued for such price per share as of the date of the issue or sale of such Convertible Securities and thereafter shall be deemed to be outstanding, provided that (i) except as otherwise provided in subparagraph 5(c), no adjustment of the Series D Conversion Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities and (ii) if any such issue or sale of such Convertible Securities is made upon exercise of any Options to purchase any such Convertible Securities for which adjustments of the Series D Conversion Price have been or are to be made pursuant to other provisions of this paragraph 5(d), no further adjustment of the Series D Conversion Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. Upon the happening of any of the following events, namely, if the purchase price provided for in any Option referred to in subparagraph 5(a), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in subparagraph 5(a) or 5(b), or the rate at which Convertible Securities referred to in subparagraph 5(a) or 5(b) are convertible into or exchangeable for Common Stock shall change at any time (including, but not limited to, changes under or by reason of provisions designed to protect against dilution), the Series D Conversion Price in effect at the time of such event shall forthwith be readjusted (in each case by an amount equal to not less than one cent (\$.01)) to the Series D Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold; provided that no such readjustment shall result in an increase to the Series D Conversion Price above the Series D Conversion Price that would have been in effect had such Option or Convertible Security never been issued; and on the expiration of any such Option or the termination of any such right to convert or exchange such Convertible Securities without exercise, the Series D Conversion Price then in effect hereunder shall forthwith be increased to the Series D Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(d) Stock Dividends. In case the Corporation shall declare a dividend or make any other distribution upon any stock of the Corporation payable in Common Stock (except for the issue of stock dividends or distributions upon the outstanding Common Stock for which adjustment is made pursuant to paragraph 7), Options or Convertible Securities, any Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(e) Consideration for Stock. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Corporation in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Corporation, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Corporation in connection therewith. In case any Options shall be issued in connection with the issue and sale of other securities of the Corporation, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued for such consideration as determined in good faith by the Board of Directors of the Corporation.

(f) Record Date. The Board of Directors of the Corporation shall set the record date for the purpose of determining the holdings of the Corporation's shareholders entitled (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities. If no record date is set by the Board of Directors, then such date shall be deemed to be the date that is five (5) business days prior to the date on which the shares of Common Stock were deemed to have been issued or sold upon the declaration of such dividend, such other distribution was made or such right of subscription or purchase was granted, as the case may be.

(g) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation, and the disposition of any such shares shall not be considered an issue or sale of Common Stock for the purpose of this paragraph 5(g).

(h) Tender or Exchange Offer. In case a tender or exchange offer or other purchase made by the Company or any subsidiary of the Company for all or any portion of the Common Stock shall be consummated and such tender or exchange offer or purchase shall involve an aggregate consideration having a fair value (as determined by the Board of Directors, whose determination shall, if made in good faith, be conclusive) as of the last time (the "Expiration Time") that tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) or the date of such other purchase, as the case may be, that, together with (A) the aggregate amount of the cash plus the fair value (as determined by the Board of Directors, whose determination shall, if made in good faith, be conclusive) as of the Expiration Time of any other

consideration paid in respect of any other tender or exchange offer or other purchase by the Company or a subsidiary of the Company for all or any portion of the Common Stock consummated within 12 months preceding the Expiration Time and in respect of which no Series D Conversion Price adjustment has been made previously and (B) the aggregate amount of any distributions to all holders of the Common Stock made exclusively in cash within the 12 months preceding the Expiration Time and in respect of which no Series D Conversion Price adjustment has been made previously, exceeds 5.0% of the product of the Fair Market Value per share of Common Stock immediately prior to the Expiration Time times the number of shares of Common Stock outstanding (including any tendered, exchanged or purchased shares) at the Expiration Time, then in each such case the Series D Conversion Price shall be reduced (but not increased) so that it shall equal the price obtained by multiplying the Series D Conversion Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be (x) the product of the Fair Market Value per share of Common Stock immediately prior to the Expiration Time, multiplied by the number of shares of Common Stock outstanding (including any tendered, exchanged or purchased shares) at the Expiration Time less (y) the sum of (i) the aggregate amount of cash plus the fair value (determined as aforesaid) of any other consideration payable in respect of such tender or exchange offer or other purchase, (ii) the aggregate amount of any distributions to holders of Common Stock made exclusively in cash within the preceding 12 months, in respect of which no Series D Conversion Price adjustment has been made previously, and (iii) the aggregate amount of any cash plus the fair value (determined as aforesaid) of any other consideration payable in respect to any other tender or exchange offer or other purchase by the Company or a subsidiary of the Company for all or any portion of the Common Stock within the preceding 12 months, in respect of which no Series D Conversion Price adjustment has been made previously; and the denominator shall be the product of such Fair Market Value, multiplied by the number of shares of Common Stock outstanding (excluding any tendered, exchanged or purchased shares) at the Expiration Time. Such reduction shall become effective immediately prior to the opening of business on the date following the Expiration Time; provided, however, that if the number of tendered, exchanged or purchased shares or the aggregate consideration payable therefore has not been finally determined by such opening of business, the adjustment required by this subparagraph (h) shall be made based upon the number of tendered, exchanged or purchased shares and the aggregate consideration payable therefore as so finally determined.

(6) Certain Issuances of Common Stock Excepted. Anything herein to the contrary notwithstanding, the Corporation shall not be required to make any adjustment of the Series D Conversion Price in the case of the issuance of (i) securities issued, or deemed issued (as provided below), to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation in connection with their service as directors of the Corporation or a subsidiary of the Corporation, their employment by the Corporation or a subsidiary of the Corporation or their retention as consultants by the Corporation or a subsidiary of the Corporation under stock option plans of the Corporation; or (ii) shares of Common Stock issuable upon exercise of warrants outstanding as of the date hereof or upon conversion of the Series D Preferred Stock.

(7) Subdivision or Combination of Common Stock. In case the Corporation shall at any time subdivide (by any stock split, stock dividend or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and, conversely, in case the outstanding shares of Common Stock shall be combined into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(8) Reorganization or Reclassification. If any capital reorganization, reclassification, recapitalization, consolidation, merger, sale of all or substantially all of the Corporation's assets or other similar transaction (any such transaction being referred to herein as an "Organic Change") shall be effected in such a way that holders of Common Stock shall be entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such Organic Change, lawful and adequate provisions shall be made whereby each holder of a share or shares of Series D Preferred Stock shall thereupon have the right to receive, upon the basis and upon the terms and conditions specified herein and in lieu of or in addition to, as the case may be, the shares of Common Stock immediately theretofore receivable upon the conversion of such share or shares of Series D Preferred Stock such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such Common Stock immediately theretofore receivable upon such conversion had such Organic Change not taken place, and in any case of a reorganization or reclassification only appropriate provisions shall be made with respect to the rights and interests of such holder to the end that the provisions hereof (including without limitation provisions for adjustments of the Conversion Price) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such conversion rights.

(9) Notice of Adjustment. Upon any adjustment of the Series D Conversion Price, then and in each such case the Corporation shall give written notice thereof, by first class mail, postage prepaid, or by facsimile transmission to non-U.S. residents, addressed to each holder of shares of Series D Preferred Stock at the address of such holder as shown on the books of the Corporation, which notice shall state the Series D Conversion Price resulting from such adjustment, setting forth in reasonable detail the method upon which such calculation is based.

(10) Other Notices. In case at any time:

- (a) the Corporation shall declare any dividend upon its Common Stock payable in cash or stock or make any other distribution to the holders of its Common Stock;
- (b) the Corporation shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;
- (c) there shall be any capital reorganization or reclassification of the capital stock of the Corporation, or a consolidation or merger of the Corporation with or into, or a sale of all or substantially all its assets to, another entity or entities; or
- (d) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, in any one or more of said cases, the Corporation shall give, by first class mail, postage prepaid, or by facsimile transmission to non-U.S. residents, addressed to each holder of any shares of Series D Preferred Stock at the address of such holder as shown on the books of the Corporation, (i) at least 15 days' prior written notice of the date on which the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up and (ii) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, at least 15 days' prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause (i) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto and such notice in accordance with the

foregoing clause (ii) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be.

(11) Stock to be Reserved. The Corporation will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon the conversion of Series D Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series D Preferred Stock. The Corporation covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, and, without limiting the generality of the foregoing, the Corporation covenants that it will from time to time use its reasonable best efforts to assure that the par value per share of the Common Stock is at all times equal to or less than the Conversion Price in effect at the time. The Corporation will use its reasonable best efforts to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirement of any national securities exchange or other market upon which the Common Stock may be listed.

(12) No Reissuance of Series D Preferred Stock. Shares of Series D Preferred Stock which are converted into shares of Common Stock as provided herein shall not be reissued.

(13) Issue Tax. The issuance of certificates for shares of Common Stock upon conversion of Series D Preferred Stock shall be made without charge to the holders thereof for any issuance tax in respect thereof, provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series D Preferred Stock which is being converted.

(14) Closing of Books. The Corporation will at no time close its transfer books against the transfer of any shares of Series D Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series D Preferred Stock, in any manner which interferes with the timely conversion of such Series D Preferred Stock except as may otherwise be required to comply with applicable securities laws or the procedures of its transfer agent.

(15) Definition of Common Stock. As used in this Section E, the term "Common Stock" shall mean and include the Corporation's authorized Common Stock, par value \$.001 per share, as constituted on the date of filing of these terms of the Series D Preferred Stock, and shall also include any capital stock of any class of the Corporation thereafter authorized which shall neither be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends nor entitled to a preference in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided that the shares of Common Stock receivable upon conversion of shares of Series D Preferred Stock shall include only shares designated as Common Stock of the Corporation on the date of filing of this instrument, or in case of any reorganization or reclassification of the outstanding shares thereof, the stock, securities or assets provided for in paragraph 8.

iii. Redemption. Neither the Corporation nor any holder of Series D Preferred Stock shall be entitled to demand redemption of any of the shares so held.

iv. Conversion on a Change of Control.

(1) If a Change in Control (as defined below) should occur with respect to the Company, each holder of shares of the Series D Preferred Stock shall have the right, at the holder's option, for a period of 45 days after the giving of notice by the Company that a Change in Control has occurred, to convert all, but not less than all, of such holder's shares of the Series D Preferred Stock into the kind and amount of cash, securities, property or other assets receivable upon such Change in Control by a holder of the number of shares of Common Stock into which such holder's Series D Preferred Stock would have been convertible immediately prior to the Change in Control at an adjusted conversion price equal to the Special Conversion Price (as defined below). Shares of the Series D Preferred Stock that are not converted as provided above will remain convertible into the kind and amount of cash, securities, property or other assets that the holders of the shares of the Series D Preferred Stock would have owned immediately after the Change in Control if the holders had converted the shares of the Series D Preferred Stock immediately before the effective date of the Change in Control. The Company will notify the holders of the Series D Preferred Stock of any pending Change in Control as soon as practicable and in any event at least 30 days in advance of the effective date of such Change in Control. In the event of a pending Change in Control, the Company (or any successor corporation) shall take all action necessary to provide for sufficient amounts of cash, securities, property or other assets for the conversion of the Series D Preferred Stock as provided herein.

(2) If a Change in Control shall occur, then, as soon as practicable and in any event within five (5) business days after the occurrence of such Change in Control, the Company shall provide notice to each registered holder of a share of Series D Preferred Stock a notice (the "Special Conversion Notice") setting forth details regarding the special right of the holders to convert their shares of Series D Preferred Stock as a result of such Change in Control. A holder of a share of Series D Preferred Stock must exercise such conversion right within the 45-day period after the giving of the Special Conversion Notice by the Company or such special right shall expire. The conversion date for shares so converted shall be the 45th day after the giving of the Special Conversion Notice or, if the merger, consolidation, reorganization, liquidation or dissolution related to such Change in Control has not become effective within 45 days of the giving of the Special Conversion Notice but becomes effective within 90 days after the giving of the Special Conversion Notice, then on the date of such effectiveness. If such merger, consolidation, reorganization, liquidation or dissolution shall not occur within 90 days after the date on which the Special Conversion Notice is given, the Company shall be required to give a new Special Conversion Notice. Within five Business Days following the conversion date, the Company shall deliver a certificate for the Common Stock together with a check for any fractional shares issuable or the cash, securities, property or other assets receivable by a holder. Exercise of such conversion right to the extent permitted by law (including, if applicable, Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall be irrevocable and no dividends on the shares of Series D Preferred Stock tendered for conversion shall accrue from and after the conversion date.

(3) The Special Conversion Notice shall state: (i) the event constituting the Change in Control; (ii) the last date upon which holders may submit shares of Series D Preferred Stock for conversion at the Special Conversion Price; (iii) the Special Conversion Price; (iv) the Conversion Price then in effect under Section E hereof and the continuing conversion rights, if any, under Section E hereof; (v) the name and address of any paying agent and conversion agent; (vi) that holders who wish to convert shares of Series D Preferred Stock must satisfy the requirements of Section E and must exercise such conversion right within the 45-day period after giving of such notice by the Company; (vii) that exercise of such conversion right shall be irrevocable and no dividends on shares of Series D Preferred Stock tendered for conversion shall accrue from and after the conversion date; and (viii) that the consideration to be received shall be delivered within the five business days after the last date upon which holders may submit Series D Preferred Stock for conversion.

v. Certain Definitions. The following terms shall have the following respective meanings herein:

Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Certificate of Incorporation.

“Appraisal Procedure” if applicable, means the following procedure to determine the fair market value, as to any security, for purposes of the definition of “Fair Market Value” or the fair market value, as to any other property (in either case, the “Valuation Amount”). If the amount to be appraised is less than or equal to five hundred thousand dollars (\$500,000), the Valuation Amount shall be determined in good faith by the Board of Directors. If the amount to be appraised is greater than five hundred thousand dollars (\$500,000), the Valuation Amount shall be determined in good faith jointly by the Board of Directors and the holders of more than 50% of the issued and outstanding shares of Series D Preferred Stock; provided, however, that any holder of Series D Preferred Stock having a Liquidation Preference greater than five hundred thousand dollars (\$500,000) (an “Appraisal Rights Holder”) shall be promptly notified by the Board of Directors of such initially determined Valuation Amount and if such Appraisal Rights Holder notifies the Corporation that it does not agree on the Valuation Amount within a reasonable period of time (not to exceed twenty (20) days from the notice to the Appraisal Rights Holder), the Valuation Amount shall be determined by an investment banking firm of national recognition, which firm shall be reasonably acceptable to the Board of Directors and the Appraisal Rights Holder. If the Board of Directors and the Appraisal Rights Holder are unable to agree upon an acceptable investment banking firm within ten (10) days after the date either party proposed that one be selected, the investment banking firm will be selected by an arbitrator located in New York, New York, selected by the New York branch of the American Arbitration Association (or if such organization ceases to exist, the arbitrator shall be chosen by a court of competent jurisdiction). The arbitrator shall select the investment banking firm (within ten (10) days of his appointment) from a list, jointly prepared by the Board of Directors and the Appraisal Rights Holder, of not more than six investment banking firms of national standing in the United States, of which no more than three may be named by the Board of Directors and no more than three may be named by the Appraisal Rights Holder. The arbitrator may consider, within the ten-day period allotted, arguments from the parties regarding which investment banking firm to choose, but the selection by the arbitrator shall be made in its sole discretion from the list of six. The Board of Directors and the Appraisal Rights Holder shall submit their respective valuations and other relevant data to the investment banking firm, and the investment banking firm shall, within thirty days of its appointment, make its own determination of the Valuation Amount. The final Valuation Amount for purposes hereof shall be the average of the two Valuation Amounts closest together, as determined by the investment banking firm, from among the Valuation Amounts submitted by the Corporation and the Appraisal Rights Holder and the Valuation Amount calculated by the investment banking firm. The determination of the final Valuation Amount by such investment-banking firm shall be final and binding upon the parties. The Corporation shall pay the fees and expenses of the investment banking firm and arbitrator (if any) used to determine the Valuation Amount. If required by any such investment banking firm or arbitrator, the Corporation shall execute a retainer and engagement letter containing reasonable terms and conditions, including, without limitation, customary provisions concerning the rights of indemnification and contribution by the Corporation in favor of such investment banking firm or arbitrator and its officers, directors, partners, employees, agents and affiliates.

“beneficial ownership” shall have the same meaning as is attributed to same in Section 13 of the Exchange Act and rules and regulations (including Rules 13d-3, 13d-5 and any successor rules) promulgated by the Securities and Exchange Commission thereunder; provided, however, that a person shall be deemed to have beneficial ownership of all securities that any such person has a right to acquire whether such right is exercisable immediately or only after the passage of time and without regard to the 60-day limitation referred to in Rule 13d-3.

“Change in Control” means (A) the acquisition by a person, entity, or “group”, within the meaning of Section 13(d)(3) of the Exchange Act of securities of the Company that result in such person, entity or group having beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors or; (B) approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding securities; or (C) approval of the Board of Directors and, if required, of the shareholders of the Company of a liquidation or dissolution of the Company (other than pursuant to the United States Bankruptcy Code) or the sale of all or substantially all of the assets of the Company.

“Fair Market Value” means, as to any security, the Twenty Day Average closing prices of such security's sales on all domestic securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ National Market System as of 4:00 P.M., New York City time, on such day, or, if on any day such security is not quoted in the NASDAQ National Market System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar or successor organization (and in each such case excluding any trades that are not bona fide, arm's length transactions). If at any time such security is not listed on any domestic securities exchange or quoted in the NASDAQ National Market System or the domestic over-the-counter market, the “Fair Market Value” of such security shall be the fair market value thereof as determined in accordance with the Appraisal Procedure, using any appropriate valuation method, assuming an arms-length sale to an independent party. In determining the Fair Market Value of any class or series of Common Stock, a sale of all of the issued and outstanding Common Stock will be assumed, without giving regard to the lack of liquidity of such stock due to any restrictions (contractual or otherwise) applicable thereto or any discount for minority interests and assuming the conversion or exchange of all securities then outstanding that are convertible into or exchangeable for Common Stock and the exercise of all rights and warrants then outstanding and exercisable to purchase shares of such stock or securities convertible into or exchangeable for shares of such stock; provided, however, that such assumption will not include those securities, rights and warrants convertible into Common Stock where the conversion, exchange or exercise price per share is greater than the Fair Market Value; provided, further, however, that Fair Market Value shall be determined with regard to the relative priority of each class or series of Common Stock (if more than one class or series exists). “Fair Market Value” means with respect to property other than securities, the “fair market value” determined in accordance with the Appraisal Procedure.

“Market Value” means the average the Closing Prices, per share of Common Stock, for the five Trading Dates ending on the last Trading Day preceding the date of the Change in Control provided that, in the event the Change in Control was not announced at least ten (10) Trading Dates prior to its occurrence, then five Trading Dates ending ten (10) Trading Dates after a public announcement of such Change in Control.

“Special Conversion Price” means the lower of \$0.276 per share (which amount will, each time the Series D Conversion Price is adjusted, be likewise adjusted) or the Market Value of the Common Stock.

"Trading Date" or "Trading Day" with respect to Common Stock means (i) if the Common Stock is quoted on the NASDAQ National Market System, or the Over-the-Counter Bulletin Board, a day on which trades may be made on such system, (ii) if the Common Stock is listed or admitted for trading on a national securities exchange, a day or on which such national securities exchange is open for business, (iii) if not quoted as described in clauses (i) or (ii), days on which quotations are reported by the National Quotation Bureau Incorporated or any similar or successor organization, or (iv) otherwise, any Business Day.

“Twenty Day Average” means, with respect to any prices and in connection with the calculation of Fair Market Value, the volume weighted average of such prices over the twenty (20) Trading Days ending on the Trading Day immediately prior to the day as of which “Fair Market Value” is being determined.

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designations, Preferences and Rights to be signed by its Chief Executive Officer on the 29<sup>TH</sup> day of November 2006.

WORLDWATER & POWER CORP.

By: /s/ Quentin T. Kelly  
Name: Quentin T. Kelly  
Title: Chairman