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

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**FORM 8-K**

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**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): January 17, 2011

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**Arrowhead Research Corporation**

(Exact name of registrant as specified in its charter)

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**0-21898**

(Commission File Number)

**Delaware**

(State or other jurisdiction of incorporation)

**46-0408024**

(IRS Employer Identification No.)

**201 South Lake Avenue, Suite 703, Pasadena, CA 91101**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (626) 304-3400

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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**Item 1.01. Entry into a Material Definitive Agreement.**

On January 17, 2011, Unidym, Inc. (“Unidym”), a majority-owned subsidiary of Arrowhead Research Corporation (“Arrowhead” or the “Company”) entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) by and among Unidym, Wisepower Co., Ltd. (“Wisepower”), a corporation of Republic of Korea, Unicycle Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Wisepower (“Merger Sub”), and, solely with respect to representations and warranties made in the Merger Agreement, Arrowhead. Wisepower is a publicly traded company in Korea (KOSDAQ: 040670). Under the terms of the Merger Agreement, Unidym will merge with Merger Sub (the “Merger”), with Unidym remaining as the surviving company and a wholly owned subsidiary of Wisepower (the “Surviving Company”).

Under the terms of the Merger Agreement, Unidym stockholders (the “Stockholders”) will receive: (1) an upfront payment of \$5,000,000 of cash (the “Upfront Payment”), which will be used to purchase Wisepower common stock and convertible debt at the closing; (2) 50% of ongoing sales of certain products, resulting in potential payments to the Stockholders of up to \$500,000 in the aggregate; (3) 40% of ongoing licensing revenue related to certain patents held by Unidym; (4) cash payment for any amount of “Cash On Hand” (as defined in the Merger Agreement) greater than \$1,000,000 as of the Closing, which is expected to be nominal; and (5) up to \$140,000,000 of contingent payments based on cumulative revenue milestones for ten years after the closing date (collectively, the “Merger Consideration”). The Merger Consideration will be distributed to the Stockholders based on the liquidation preferences of the different classes and series of Unidym capital stock pursuant to the Unidym’s Certificate of Incorporation; based on these liquidation preferences, the Upfront Payment will only be paid to the holders of Series D Preferred Stock (the “Series D Holders”), of which Arrowhead holds approximately 96%. The Merger was consummated on January 18, 2010.

Wisepower made a funding commitment to provide a total of \$1,500,000 in cash in the next 30 days to support Unidym’s operations post-closing and is obligated to make commercially reasonable efforts in good faith to provide adequate resources so as to make it possible for the Stockholders to earn the full benefit of the payments based on cumulative revenue milestones.

Prior to the consummation of the Merger, Unidym made full payment to Arrowhead of approximately \$1.3 million in payment of intercompany receivables and working capital loans.

As a condition to the closing of the Merger, Arrowhead, Wisepower and W&P and Company, a corporation of the Republic of Korea and an affiliate of Wisepower, Ltd., entered into a Stock Purchase Agreement (the “Stock Agreement”) whereby the Series D Holders will use a portion of the Upfront Payment to acquire approximately 2.1 million shares of Wisepower common stock, valued at \$2,500,000, at a price \$1.2065 per share (the “Stock”). The Wisepower stock acquired under the Stock Agreement is subject to certain restrictions on sale, which restrictions expire in increments beginning 30 days after issuance. As a further condition to the merger, Arrowhead and Wisepower entered into a Bond Purchase Agreement (the “Bond Agreement”) whereby the Series D Holders will use the remainder of the Upfront Payment to purchase from Wisepower Convertible Bonds (the “Bonds”) in the principal amount of \$2.5 million. Under the terms and conditions of the Bonds, the holders can convert the principal to Wisepower common stock at a conversion price of \$2.00 per share commencing one year from issuance, or demand payment of the principal commencing after two years from issuance. The Bonds do not bear interest and are due three years from issuance. Based on Arrowhead’s relative ownership of the Series D Preferred Stock, it is entitled to approximately 96% of the Stock and the Bonds.

Based on Arrowhead’s ownership of Unidym Series C and Unidym Series B Preferred Stock, Arrowhead will receive approximately \$21.6 million of the first \$27.7 million in future potential payments to Unidym Stockholders, if any. Based on Arrowhead’s ownership of Unidym common stock, Arrowhead will receive 39% of future potential payments, if any, after the liquidation preferences of Unidym’s preferred stockholders are satisfied.

The foregoing is intended only as a summary of the terms of the Merger Agreement, the Stock Agreement and the Bond Agreement and is qualified in its entirety by the agreements, copies of which are attached hereto as Exhibits 10.1, 10.2 and 10.3, respectively.

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

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 10.1	Agreement and Plan of Merger between Unidym, Inc., Unicycle Acquisition Corp., Wisepower Co., Ltd. and Arrowhead Research Corporation dated January 17, 2011.
Exhibit 10.2	Stock Purchase Agreement between Arrowhead Research Corporation, Wisepower Co., Ltd. and WP & Company dated January 17, 2011.
Exhibit 10.3	Bond Purchase Agreement between Arrowhead Research Corporation and Wisepower Co., Ltd. dated January 17, 2011.

**SIGNATURES**

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

Date: January 21, 2011

ARROWHEAD RESEARCH CORPORATION

By: /s/ Kenneth Myszkowski

Kenneth Myszkowski  
Chief Financial Officer

**AGREEMENT AND PLAN OF MERGER**  
**AMONG**  
**WISEPOWER CO., LTD.,**  
**UNICYCLE ACQUISITION CORP.,**  
**UNIDYM, INC. AND**  
**ARROWHEAD RESEARCH CORPORATION**

## AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this “**Agreement**”) is entered into as of January 17, 2011 (the “**Agreement Date**”) by and among Wisepower Co., Ltd., a corporation of Republic of Korea (“**Acquirer**”), Unicycle Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Acquirer (“**Sub**”), Unidym, Inc., a Delaware corporation (“**Company**”) and, solely with respect to Article 3 hereof, Arrowhead Research Corporation, a Delaware corporation (“**Arrowhead**”).

### RECITALS

A. The parties intend that, subject to the terms and conditions hereinafter set forth, Sub will merge with and into Company (the “**Merger**”), with Company to be the surviving corporation of the Merger, all pursuant to the terms and conditions of this Agreement, the Certificate of Merger and the applicable provisions of the laws of the State of Delaware.

B. The Boards of Directors of Acquirer, Sub and Company have determined that the Merger is in the best interests of their respective companies and stockholders, and have approved the principal terms of this Agreement and, accordingly, have agreed to effect the Merger provided for herein upon the terms and conditions of this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

### ARTICLE 1

#### CERTAIN DEFINITIONS

As used herein, the following terms will have the meanings set forth below:

“**Acquirer Ancillary Agreements**” means all agreements (other than this Agreement) and documents to which Acquirer and/or Sub is or will be a party that are required to be executed pursuant to this Agreement.

“**Acquirer Common Stock**” means the Common Stock of Acquirer.

“**Affiliate**” means an “affiliate” within the meaning of Rule 144 or Rule 405 promulgated under the Securities Act.

“**Applicable Laws**” means all foreign, federal, state, local, municipal or other laws, ordinances, regulations, rules and other provisions having the force or effect of law, and all judicial and administrative orders, writs, injunctions, awards, judgments, decrees and determinations, applicable to a specified Person or to such Person’s assets, properties or business.

“**Arrowhead Common Stock**” means the Common Stock of Arrowhead Research Corporation.

“**Bingel Patents**” means patents licensed to Company under the Bingel Patent Agreement.

“**Bingel Patent Agreement**” means the agreement between Luna Innovations Incorporated (as a successor to Tego Biosciences) and Unidym.

“**Bingel Patent Consideration**” means forty percent (40%) of the proceeds received by Acquirer or the Surviving Corporation from licenses (current and future) of the Bingel Patents or assignment of the Bingel Patent Agreement, payable pursuant to the terms of Section 2.5.

“**Bond Purchase Agreement**” means the bond purchase agreement in substantially the form attached hereto as Exhibit B.

“**Business Day**” means a day (a) other than Saturday or Sunday and (b) on which commercial banks are open for business in San Francisco, California.

“**California Law**” means Chapter 13 of the California Corporations Code.

“**Cash On Hand**” means the sum of (i) cash held by Company and its Subsidiaries after receipt of all proceeds from the Samsung Transactions and payment of all expenses associated with the Samsung Transactions and other existing liabilities incurred in the ordinary course of business and booked on the Closing Balance Sheet (but excluding any payments due to universities for license fees in 2011), and (ii) the fair market value of Arrowhead Common Stock held by Company based on a weighted-average per share price of Arrowhead Common Stock traded on the NASDAQ over a ten (10) day period prior to the Closing Date, (iii) accounts receivable in the Closing Balance Sheet that both parties reasonably agree will be paid, and (iv) prepaid expenses.

“**Certificate of Merger**” means the certificate of merger in substantially the form attached hereto as Exhibit D.

“**Closing Balance Sheet**” means the balance sheet of Unidym as of the Effective Time.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Common Revenue Amount**” means an aggregate amount of the Earnout Consideration and/or the Bingel Patent Consideration payable by Acquirer to the Company Stockholders pursuant to Section 2.4 and Section 2.5, in excess of the payment in full by the Surviving Corporation for the Series D Payout Threshold, the Series C Payout Threshold and the Series B Payout Threshold.

“**Common Revenue Amount Per Share**” means the quotient obtained by dividing (i) the Common Revenue Amount by (ii) the aggregate number of shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time.

“**Company Ancillary Agreements**” means all agreements (other than this Agreement) and documents to which Company is or will be a party that are required to be executed pursuant to this Agreement.

“**Company Business**” means the business of Company as presently being conducted.

“**Company Capital Stock**” means the issued and outstanding shares of Company Common Stock, Company Preferred Stock and any other classes and series of capital stock of Company (in each case on a fully diluted, as-converted to Company Common Stock basis, including all shares of such stock that are issuable upon the exercise of any outstanding Company Rights).

“**Company Charter Documents**” means Company’s Certificate of Incorporation and Bylaws, as may be amended from time to time.

**“Company Closing Date Balance Sheet”** means the balance sheet of the Company as of the Closing Date which sets forth all of the assets and Liabilities of the Company as of the Closing Date.

**“Company Common Stock”** means the Common Stock, par value \$0.001 per share, of Company.

**“Company Common Stock Holder”** means a holder of Company Common Stock.

**“Company Option”** means an option to purchase shares of Company Common Stock.

**“Company Optionholders”** means the holders of Company Options as of immediately prior to the Effective Time.

**“Company Option Plan”** means Company’s 2006 Stock Option/Stock Issuance Plan.

**“Company Preferred Stock”** means the Company Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock.

**“Company Rights”** means all stock appreciation rights, options, warrants, restricted stock units, call rights, commitments, conversion privileges or preemptive or other rights or agreements outstanding to purchase or otherwise acquire any shares of Company Capital Stock or any securities or debt convertible into or exchangeable for shares of Company Capital Stock or obligating Company to grant, extend or enter into any such option, warrant, call right, commitment, conversion privilege or preemptive or other right or agreement.

**“Company Securityholders”** means collectively, the Company Stockholders, Company Optionholders, and holders of any Company Rights.

**“Company Series D Holder”** means a holder of Series D Preferred Stock.

**“Company Series C Holder”** means a holder of Series C Preferred Stock.

**“Company Series B Holder”** means a holder of Series B Preferred Stock.

**“Company Stockholders”** means the record holders of shares of Company Capital Stock issued and outstanding as of immediately prior to the Effective Time and holders of Company Warrants.

**“Company Warrants”** means all warrants to purchase shares of Company Capital Stock.

**“Contract”** means any legally binding contract, agreement, arrangement, commitment, undertaking, instrument, permit, mortgage, license, sublicense, letter of intent, quotation, statement of work, contract order or purchase order (in each case, whether oral or in writing).

**“Delaware Law”** means the Delaware General Corporation Law.

**“Dissenting Shares”** means any shares of Company Capital Stock that are outstanding immediately prior to the Effective Time that have not been voted for approval of this Agreement and with respect to which dissenters or appraisal rights are properly asserted in accordance with Delaware Law or California Law.

**“Earnout Consideration”** means an aggregate amount of up to USD \$140,000,000 in cash payable pursuant to the terms of Section 2.4, but excluding any payments of Merger Product Sales Consideration.

**“Effective Time”** means the date and time on which the Merger first becomes legally effective under the laws of the State of Delaware as a result of the filing with the Secretary of State of the State of Delaware of the Certificate of Merger pursuant to the requirements of Delaware Law. The filing of the Certificate of Merger shall be made within forty-eight (48) hours from the Closing.

**“Encumbrance”** means, with respect to any asset, any mortgage, deed of trust, lien, pledge, charge, security interest, title retention device, conditional sale or other security arrangement, collateral assignment, claim, charge, adverse claim of title, ownership or right to use, restriction or other encumbrance of any kind in respect of such asset (including any restriction on (a) the voting of any security or the transfer (other than pursuant to applicable federal and state securities laws) of any security or other asset, (b) the receipt of any income derived from any asset, (c) the use of any asset, and (d) the possession, exercise or transfer of any other attribute of ownership of any asset).

**“Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended.

**“US GAAP”** means United States generally accepted accounting principles.

**“Governmental Authority”** means any court, administrative agency, commission or other governmental agency or authority.

**“Intellectual Property Rights”** means, collectively, all worldwide industrial and intellectual property rights, including patents, patent applications, patent rights, trademarks, trademark registrations and applications therefor, trade dress rights, trade names, service marks, service mark registrations and applications therefor, Internet domain names, Internet and World Wide Web URLs or addresses, copyrights, copyright registrations and applications therefor, mask work rights, mask work registrations and applications therefor, inventions, trade secrets, know-how, customer lists, supplier lists, proprietary processes and formulae, software source code and object code, hardware description language (“**HDL**”) code, netlists, design databases, design methodologies, design schematics, ASICs, cores, transceivers, interconnects, equalizers, algorithms, net lists, architectures, structures, technology, screen displays, photographs, images, layouts, development tools, designs, blueprints, specifications, technical drawings (or similar information in electronic format) and all documentation and media constituting, describing, embodying or relating to any of the foregoing, including manuals, programmers’ notes, memoranda and records.

**“Knowledge”** means, with respect to any fact, circumstance, event or other matter in question, the actual or deemed knowledge of such fact, circumstance, event or other matter after reasonable inquiry of (a) an individual, if used in reference to an individual, (b) with respect to Company, Mark Tilley and John Miller, and (c) with respect to Acquirer, each of the officers and directors of Acquirer. A Person will be deemed to have knowledge of a particular fact, circumstance, event or other matter if such knowledge could be obtained from reasonable inquiry of the persons reporting to such Person (including, with respect to Company and Acquirer, each officer and director thereof) charged with administrative or operational responsibility for such matters for such Person.

**“Liabilities”** means any debt, liability or obligation, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, known or unknown, and whether due or to become due, in each case that would be required by US GAAP to be reflected on a balance sheet or in the notes thereto.

**“Licensing Activities”** shall mean granting rights to third parties to Intellectual Property Rights related to Products.

**“Material Adverse Effect,”** when used with reference to any Person, means any event, change, violation, inaccuracy, circumstance or effect (each, an **“Effect”**) that, individually or taken together with all other Effects, (i) is or is reasonably likely to be or become materially adverse in relation to the near-term or longer term financial condition, properties, employees, assets (including intangible assets), business or results of operations of such Person and its Subsidiaries, taken as a whole, or (ii) materially impedes or delays, or is reasonably likely to materially impede or delay, such Person’s ability to consummate the transactions consummated by this Agreement in accordance with its terms and Applicable Laws, other than an Effect caused by or, that would not have occurred but for: (A) changes in economic conditions generally, (B) changes in general regulatory or political conditions, including any acts of war or terrorist activities, or (C) changes in Applicable Laws or other binding directives issued by any Governmental Entity, so long as in each of the cases set forth in clauses (A), (B) and (C), Company is not disproportionately affected by such changes as compared to other companies in Company’s industry.

**“Merger Cash Consideration”** means \$5,000,000.

**“Merger Product Sales Consideration”** means on the first day of each month following the receipt of all funds due to Unidym from Samsung Electronics, payments equal to fifty percent of the amount of proceeds received from the sale of Products by the Company or the Surviving Corporation in the previous month until the total accrued payments reach an amount that is equal to: (\$500,000 – (\$1,000,000 – Cash on Hand)).

**“Net Proceeds From Licensing Activities”** shall mean net proceeds received from Licensing Activities after all third parties such as Samsung Electronics and university licensors have been paid in connection with the Licensing Activities.

**“Permitted Encumbrance”** means (i) any mechanic’s, carrier’s, warehouseman’s or other similar encumbrance arising in the ordinary course of business, consistent with past practice, (ii) Encumbrances in respect of Taxes not yet due and payable, or the validity of which are being contested in good faith, and (iii) pledges or deposits to secure obligations under workers’ compensation laws or similar legislation or to secure public or statutory obligations.

**“Person”** means any individual, corporation (including any not-for-profit corporation), general or limited partnership, limited liability partnership, joint venture, estate, trust, firm, company (including any limited liability company or joint stock company), association, organization, entity or Governmental Authority.

**“Products”** shall mean carbon nanomaterials, items incorporating carbon nanomaterials, or transparent, conductive films.

**“Samsung Transactions”** means the agreements between Unidym and Samsung Electronics, dated December 7, 2010.

**“Second Merger Cash Payment”** shall mean any amount of Cash on Hand greater than \$1,000,000, to be paid within 7 days of Acquirer’s receipt of the Closing Balance Sheet.

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

**“Series A Preferred Stock”** shall have the meaning set forth in Section 3.4.

“**Series B Payout Threshold**” means an aggregate amount up to, but not in excess of, USD \$10,999,998.79, which shall consist of the Earnout Consideration and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders pursuant to Section 2.4 and Section 2.5, in excess of the Series D Payout Threshold and the Series C Payout Threshold.

“**Series B Preferred Stock**” shall have the meaning set forth in Section 3.4.

“**Series B Revenue Amount Per Share**” means the quotient obtained by dividing (i) the Series B Payout Threshold by (ii) the aggregate number of shares of Series B Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

“**Series C Payout Threshold**” means an aggregate amount up to, but not in excess of, USD \$14,626,600.20, which shall consist of the Earnout Consideration and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders pursuant to Section 2.4 and Section 2.5, in excess of the Series D Payout Threshold.

“**Series C Preferred Stock**” shall have the meaning set forth in Section 3.4.

“**Series C Revenue Amount Per Share**” means the quotient obtained by dividing (i) the Series C Payout Threshold by (ii) the aggregate number of shares of Series C Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

“**Series D Cash Amount Per Share**” means the quotient obtained by dividing (i) the Merger Cash Consideration by (ii) the aggregate number of shares of Series D Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

“**Series D Preferred Stock**” shall have the meaning set forth in Section 3.4.

“**Series D Product Sales Amount Per Share**” means the quotient obtained by dividing (i) the Merger Product Sales Consideration by (ii) the aggregate number of shares of Series D Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

“**Series D Payout Threshold**” means an aggregate amount up to, but not in excess of, USD \$2,052,526.18, which shall consist of the: (i) the Merger Product Sales Consideration; (i) Second Merger Cash Payment; and (ii) Earnout Consideration, and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders pursuant to Section 2.4 and Section 2.5.

“**Series D Revenue Amount Per Share**” means the quotient obtained by dividing (i) the Series D Payout Threshold by (ii) the aggregate number of shares of Series D Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

“**Services**” shall mean any research and development activities relating to Products.

“**Stock Purchase Agreement**” means the stock purchase agreement in substantially the form attached hereto as Exhibit C.

“**Subsidiary**” of a specified entity means any corporation, partnership, limited liability company, joint venture or other entity of which the specified entity (either alone or through or together with any other subsidiary) owns, directly or indirectly, 50% or more of the stock or other equity or partnership interests the holders of which are generally entitled to vote for the election of the Board of Directors or other governing body of such corporation or other entity.

“**Tax**” and “**Taxes**” mean all (i) income, gains, franchise, excise, property, sales, use, employment, license, payroll, services, occupation, recording, value added or transfer taxes, governmental charges, fees, levies, assessments or other taxes (whether payable directly or by withholding), and, with respect to such taxes, charges, fees, levies and assessments, any estimated tax, interest, fines, penalties or additions and interest on such fines, penalties and additions, (ii) liability for the payment of any amounts of the types described in clause (i) as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group and (iii) liability for the payment of any amounts as a result of an express or implied obligation to indemnify any other person with respect to the payment of any amounts of the type described in clause (i) or (ii).

“**Unidym Revenue**” means cumulative proceeds actually received in cash or immediately available funds by the Surviving Corporation or Acquirer or its Affiliates, successors or assigns from sales of Products or Net Proceeds From Licensing Activities (excluding proceeds received in connection with the Bingel Patents or the \$4,500,000 of consideration paid by Samsung Electronics under the Samsung Transactions and also excluding proceeds received from sale of Services), which proceeds would be booked as revenue under US GAAP. For the avoidance of doubt, if any proceeds are received from sale of certain products consisting of Products and different constituent products other than Products, then the amount of Unidym Revenue from sale of such products shall be adjusted proportionally to reflect composition of costs or added value of Products and the different constituent products.

## ARTICLE 2

### PLAN OF MERGER

2.1 The Merger. The parties hereto will cause the Merger to be consummated by filing the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the applicable provisions of Delaware Law on the Closing Date. Subject to the terms and conditions of this Agreement, at the Effective Time, Sub will be merged with and into Company in a statutory merger, the separate existence of Sub will cease and Company will be the surviving corporation in the Merger (the “**Surviving Corporation**”), all pursuant to the Certificate of Merger and in accordance with the applicable provisions of Delaware Law.

#### 2.2 Conversion and Exchange of Shares.

(a) Conversion of Series D Preferred Stock. Subject to the terms and conditions of this Agreement, at the Effective Time, each share of Series D Preferred Stock that is issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without the need for any further action on the part of Acquirer, Sub, Company or the holder thereof (except as expressly provided herein), be converted into and represent (i) the right to receive an amount of cash equal to the Series D Cash Amount Per Share, (ii) the right to receive an amount of cash (without interest) equal to the Series D Product Sales Amount Per Share, and (iii) the right to receive the Series D Revenue Amount Per Share. The amount of cash each Company Series D Holder is entitled to receive pursuant to this Section 2.2(a) for the shares of Series D Preferred Stock held by such Company Series D Holder shall be rounded to the nearest cent and computed after aggregating cash amounts for all shares of Series D Preferred Stock held by such Company Series D Holder. The provisions of this Section 2.2(a) are subject to the provisions of Section 2.3 (regarding Dissenting Shares) and Section 2.7(d) (regarding surrender of Certificates).

(b) Conversion of Series C Preferred Stock. Subject to the terms and conditions of this Agreement, at the Effective Time, each share of Series C Preferred Stock that is issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without the need for any further action on the part of Acquirer, Sub, Company or the holder thereof (except as expressly provided herein), be converted into and represent, the right to receive the Series C Revenue Amount Per Share, if, and only if, the Earnout Consideration and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders exceeds the Series D Payout Threshold. The amount of cash each Company Series C Holder is entitled to receive pursuant to this Section 2.2(b) for the shares of Series C Preferred Stock held by such Company Series C Holder shall be rounded to the nearest cent and computed after aggregating cash amounts for all shares of Series C Preferred Stock held by such Company Series C Holder. The provisions of this Section 2.2(b) are subject to the provisions of Section 2.3 (regarding Dissenting Shares) and Section 2.7(d) (regarding surrender of Certificates).

(c) Conversion of Series B Preferred Stock. Subject to the terms and conditions of this Agreement, at the Effective Time, each share of Series B Preferred Stock that is issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without the need for any further action on the part of Acquirer, Sub, Company or the holder thereof (except as expressly provided herein), be converted into and represent, the right to receive the Series B Revenue Amount Per Share, if, and only if, the Earnout Consideration and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders exceeds the Series C Payout Threshold. The amount of cash each Company Series B Holder is entitled to receive pursuant to this Section 2.2(c) for the shares of Series B Preferred Stock held by such Company Series B Holder shall be rounded to the nearest cent and computed after aggregating cash amounts for all shares of Series B Preferred Stock held by such Company Series B Holder. The provisions of this Section 2.2(c) are subject to the provisions of Section 2.3 (regarding Dissenting Shares) and Section 2.7(d) (regarding surrender of Certificates).

(d) Conversion of Series A Preferred Stock. Immediately prior to the Effective Time, each share of Series A Preferred Stock that is issued and outstanding immediately prior to the Effective Time will, in connection with the Merger and without the need for any further action on the part of Acquirer, Sub, Company or the holder thereof, be cancelled and deemed converted into one share of Company Common Stock immediately prior to the Effective Time pursuant to Section 4.1.1 of Article Fourth of Company's Certificate of Incorporation, as may be amended from time to time (the "**Conversion**").

(e) Conversion of Company Common Stock. At the Effective Time, each share of Company Common Stock that is issued and outstanding immediately prior to the Effective Time (which, for the avoidance of doubt, includes each share of Company Common Stock deemed to have been issued as a result of the Conversion) will, by virtue of the Merger and without the need for any further action on the part of Acquirer, Sub, Company or the holder thereof (except as expressly provided herein), be converted into and represent, the right to receive the Common Revenue Amount Per Share, if, and only if, the Earnout Consideration and/or the Bingel Patent Consideration payable by the Surviving Corporation to the Company Stockholders exceeds the Series B Payout Threshold. The amount of cash each Company Common Stock Holder is entitled to receive pursuant to this Section 2.2(e) for the shares of Company Common Stock held by such Company Common Stock Holder shall be rounded to the nearest cent and computed after aggregating cash amounts for all shares of Company Common Stock held by such Company Series B Holder. The provisions of this Section 2.2(e) are subject to the provisions of Section 2.3 (regarding Dissenting Shares) and Section 2.7(d) (regarding surrender of Certificates).

(f) Conversion of Sub Stock. Subject to the terms and conditions of this Agreement, at the Effective Time, each share of Sub common stock that is issued and outstanding

immediately prior to the Effective Time will be converted into one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation. Each certificate evidencing ownership of shares of Sub common stock will evidence ownership of such shares of common stock of the Surviving Corporation.

(g) Cancellation of Company-Owned Stock. Notwithstanding Sections 2.2(a)-(e), each share of Company Capital Stock held by Company immediately prior to the Effective Time will be canceled and extinguished without any conversion thereof and without the issuance or payment of any consideration.

(h) Company Options, Company Warrants and Other Rights. No Company Options or other Company Rights, whether vested or unvested, shall be assumed by either Acquirer or the Surviving Corporation in connection with the Merger. Each Company Option outstanding immediately prior to the Effective Time that is exercised prior to the Effective Time shall receive upon exercise, shares of Company Common Stock pursuant to which such Company Option is exercisable for and shall be treated in accordance with Section 2.2(e). Any Company Options which are not exercised prior to the Effective Time shall, without any further action on the part of any holder thereof, automatically be cancelled and extinguished effective as of the Closing without any conversion thereof and without the issuance or payment of any consideration. Each Company Warrant outstanding immediately prior to the Effective Time that is exercised prior to the Effective Time shall receive upon exercise, shares of Company Capital Stock pursuant to which such Company Warrant is exercisable for and shall be treated in accordance with Sections 2.2(a)-(e) hereto, as applicable. Any Company Warrants which are not exercised prior to the Effective Time shall, without any further action on the part of any holder thereof, be exercisable in accordance with the terms and conditions of the Company Warrant in exchange for the right to receive the merger consideration provided for in Section 2.2.

2.3 Dissenting Shares. Notwithstanding anything contained herein to the contrary, Dissenting Shares (if any) shall not be converted into the right to receive the merger consideration provided for in Section 2.2, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to any such Dissenting Shares pursuant to Delaware Law or California Law. Each holder of Dissenting Shares who, pursuant to the provisions of Delaware Law or California Law, becomes entitled to payment thereunder for such shares shall receive payment therefor in accordance with Delaware Law or California Law (but only after the value therefor shall have been agreed upon or finally determined pursuant to such provisions). If, after the Effective Time, any Dissenting Shares shall lose their status as Dissenting Shares, then any such shares shall immediately be converted into the right to receive the merger consideration, if any, pursuant to Section 2.2 in respect of such shares as if such shares never had been Dissenting Shares, and the Surviving Corporation shall pay to the holder thereof, following the satisfaction of the applicable conditions set forth in Section 2.2, the amount of merger consideration to which such holder would be entitled in respect thereof. Company shall give Acquirer prompt notice (and in any case, within one Business Day following receipt) of any demands for appraisal and payment received by Company, withdrawals of such demands, and any other instruments related to Dissenting Shares served pursuant to Delaware Law or California Law and received by Company and Acquirer will have the right to direct all negotiations and proceedings with respect to assertions of dissenters' rights under Delaware Law or California Law. Prior to the Effective Time, the Company shall not, except with the prior written consent of Acquirer, or as otherwise required under Delaware Law or California Law, voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand in respect of any Dissenting Shares.

#### 2.4 Earnout.

During the ten (10) year period beginning on the Closing Date, the Surviving Corporation or Acquirer or its Affiliates, successors, or assigns shall make payments to the Company Stockholders pursuant to Sections 2.2(a)-(e) based on cumulative amounts of Unidym Revenue (“**Revenue Milestones**”), measured as of the Closing Date, as follows (“**Earnout Payments**”):

<u>Unidym Revenue Milestones</u>	<u>Payments to Company Stockholders</u>
\$10,000,000.00	\$750,000.00
\$30,000,000.00	\$800,000.00
\$50,000,000.00	\$950,000.00
\$100,000,000.00	\$3,000,000.00
\$150,000,000.00	\$3,000,000.00
\$200,000,000.00	\$3,000,000.00
\$350,000,000.00	\$7,500,000.00
\$500,000,000.00	\$7,500,000.00
\$1,000,000,000.00	\$16,000,000.00
\$1,500,000,000.00	\$22,500,000.00
\$2,000,000,000.00	\$30,000,000.00
\$3,000,000,000.00	\$45,000,000.00

Upon the achievement of each Revenue Milestone, within three (3) Business Days, the Surviving Corporation or Acquirer or its Affiliates (if Acquirer or its Affiliates receive proceeds from sales of Products or Net Proceeds From Licensing Activities without compensating Unidym based on fair market value of the Products), successors or assigns shall make the corresponding Earnout Payment pursuant to Section 2.4(a) (but excluding any amounts already paid to the Company Stockholders pursuant to Section 2.4(c)) to the Company Stockholders pursuant to Sections 2.2(a)-(e) and Exhibit A.

From the Closing Date until such time as the achievement and/or non-achievement of all amounts of Earnout Consideration have been determined by the Surviving Corporation, the Surviving Corporation shall use commercially reasonable efforts in good faith to provide adequate resources so as to make it possible for the Company Stockholders to earn the full benefit of the Earnout Consideration.

#### 2.5 Bingel Patents.

During the ten (10) year period beginning on the Closing Date, the Surviving Corporation, its successors or assigns shall pay the Bingel Patent Consideration to the Company Stockholders, pursuant to Sections 2.2(a)-(e) and Exhibit A, within ninety (90) days from the date Surviving Corporation, its successors or assigns receive any proceeds from licenses (current and future) of the Bingel Patents or assignment of the Bingel Patent Agreement.

## 2.6 Effects of the Merger.

(a) General. At the Effective Time, the effect of the Merger will be as provided in this Agreement and the applicable provisions of Delaware Law. Without limiting the generality of the foregoing, at the Effective Time, all of the properties, rights, privileges, powers and franchises of Company and Sub will vest in the Surviving Corporation, and all Liabilities and duties of Company and Sub will become the Liabilities and duties of the Surviving Corporation.

(b) Certificate of Incorporation. The Certificate of Incorporation of the Surviving Corporation shall be amended and restated as of the Effective Time to be identical to the Certificate of Incorporation of Sub as in effect immediately prior to the Effective Time until thereafter amended in accordance with the provisions thereof or as provided by law; provided, however, that Article I of the Certificate of Incorporation of the Surviving Corporation will be amended at the Effective Time to read: "The name of the corporation is Unidym, Inc."

(c) Bylaws. The Bylaws of the Surviving Corporation shall be amended and restated as of the Effective Time to be identical to the Bylaws of Sub as in effect immediately prior to the Effective Time until thereafter amended in accordance with the provisions thereof or as provided by law.

(d) Directors and Officers. At the Effective Time, (i) the initial directors of the Surviving Corporation will be the directors of Sub immediately prior to the Effective Time, until their respective successors are duly elected or appointed and qualified and (ii) the initial officers of the Surviving Corporation will be the officers of Sub immediately prior to the Effective Time, until their respective successors are duly appointed.

## 2.7 Closing and Surrender of Certificates.

(a) Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "**Closing**") shall take place at a place to be discussed and agreed upon, on January [\_\_\_], 2011 at 9:00 a.m., local time, or at such other location, time and date as the parties hereto may agree (the "**Closing Date**").

(b) Closing Deliveries of Company. At the Closing, Company shall deliver to Acquirer the following items:

Holder;

(i) signature pages to the Bond Purchase Agreement and the Stock Purchase Agreement executed by each of the Company Series D

(ii) evidence of Company's receipt of approval of the transactions contemplated by this Agreement by Samsung Electronics;

(iii) letters of resignation from each officer and member of the Board of Directors of Company;

(iv) a Secretary's Certificate, executed by Company's Secretary, attaching copies of the Company Charter Documents as currently in effect, and executed copies of resolutions adopted by Company's Board of Directors and the Company Stockholders approving this Agreement and the transactions contemplated hereby; and

(v) a certificate from the Secretary of State of the State of Delaware and any other jurisdiction(s) in which Company is qualified to do business dated as of a recent date prior to the Closing Date, regarding the good standing of Company with that agency as of such date.

(c) Closing Deliveries of Acquirer. At the Closing, Acquirer shall deliver to Company the following items:

(i) an executed counterpart signature page to the Bond Purchase Agreement and the Stock Purchase Agreement; and

(d) Other Terms of Payment/Closing Mechanics. At and after the Effective Time, each certificate representing outstanding shares of Company Capital Stock will represent the right to receive an amount of merger consideration as determined pursuant to Sections 2.2(a)-(e), subject to the provisions of Section 2.3 (regarding Dissenting Shares), for which such shares of Company Capital Stock have been or will be exchanged. Within three (3) Business Days after the Effective Time, the Surviving Corporation will cause to be mailed to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of Company Capital Stock (each, a "**Certificate**") and which shares were converted into the right to receive cash pursuant to Sections 2.2(a)-(e), (i) a letter of transmittal (the "**Letter of Transmittal**") in customary form (which will specify that delivery will be effected, and risk of loss and title to any Certificate will pass, only upon delivery of such Certificate to the Surviving Corporation or such other agent or agents as may be appointed by the Surviving Corporation and (ii) instructions for use in effecting the surrender of Certificates in exchange for the merger consideration payable pursuant to Sections 2.2(a)-(e). Upon surrender to the Surviving Corporation of a Certificate for cancellation or upon delivery to the Surviving Corporation of an affidavit of lost certificate and an indemnification agreement in form and substance reasonably satisfactory to the Surviving Corporation (an "**Affidavit**") and Letter of Transmittal, duly completed and validly executed in accordance with the instructions thereto, the Surviving Corporation will deliver within three (3) Business Days to each tendering holder of a Certificate or an Affidavit, pursuant to the payment instructions for such tendering holder set forth in such tendering holder's Letter of Transmittal, the amount of merger consideration to which such holder is entitled pursuant to Sections 2.2(a)-(e), as applicable, subject to Section 2.3 (regarding Dissenting Shares). After the Effective Time and until the Certificates are surrendered pursuant to this Section 2.7(d), such Certificates will be deemed, for all purposes, to evidence only ownership of the right to receive the merger consideration payable pursuant to Sections 2.2(a)-(e).

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES OF COMPANY CONCERNING THE COMPANY

Except as set forth in the disclosure letter of Company dated as of the Agreement Date, including all Schedules thereto which will specifically reference the sections or subsections of this Article 3 to which the items of disclosure therein constitute an exception (unless and then to the extent the relevance to other sections or subsections is reasonably apparent from the face of the disclosed exception or from a reading of the document(s) referred to in such exception), which has been delivered by Company to Acquirer concurrently with the parties' execution of this Agreement (the "**Company Disclosure Letter**"), Company and Arrowhead represent and warrant to Acquirer that each of the representations and warranties contained in the following sections or subsections of this Article 3 is true and correct as of the Agreement Date:

3.1 Organization and Good Standing. Company is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the power and authority to own, operate and lease its properties and to carry on the Company Business. Company is duly qualified or licensed to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification or licensing necessary (each such jurisdiction being listed on Schedule 3.1), except where the failure to be so qualified or licensed would not, individually or in the aggregate, have a Material Adverse Effect on Company. Company is not in violation of any of its Company Charter Documents.

3.2 No Subsidiaries. Except for (i) the minority ownership position in Nexeon MedSystems pursuant to the license agreement with Nanotech Catheter Solutions, (ii) the 100% ownership position in Nanoconduction, Inc., and (iii) the 100% ownership position in Unidym Korea, Inc., the Company does not presently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

3.3 Power, Authorization and Validity.

(a) Company has the right, power and authority to enter into and perform its obligations under this Agreement and all Company Ancillary Agreements. The execution, delivery and performance of this Agreement and the Company Ancillary Agreements, and the Merger, have been duly and validly approved and authorized by Company, and this Agreement has been duly executed and delivered by Company. The affirmative votes of the holders of (i) a majority of the shares of Company Common Stock that are issued and outstanding (voting as a separate class), (ii) a majority of the shares of Company Common Stock and Company Preferred Stock that are issued and outstanding (voting together as a single class on an as-converted to Company Common Stock basis), (iii) a majority of the shares of Company Series D Preferred Stock that are issued and outstanding (voting as a separate class on an as-converted to Company Common Stock basis) and (iv) a majority of the shares of Company Preferred Stock that are issued and outstanding (voting together as a single class on an as-converted to Company Common Stock basis) (collectively, the “**Requisite Votes**”) are the only votes of the Company Stockholders necessary under all Applicable Laws and the Company Charter Documents to approve the Merger, this Agreement and, if required, each Company Ancillary Agreement and all other agreements, transactions and actions contemplated hereby and thereby.

(b) No filing, authorization, consent, approval, permit, order, registration or declaration from any United States Governmental Authority is necessary to enable Company to enter into, and to perform its obligations under, this Agreement or the Company Ancillary Agreements, except for the filing of the Certificate of Merger with the State of Delaware Secretary of State.

(c) This Agreement and the Company Ancillary Agreements are, or when executed by Company will be, and assuming the due authorization, execution and delivery hereof (and in the case of Acquirer Ancillary Agreements, thereof) by Acquirer and all other parties thereto will each constitute, valid and binding obligations of Company, enforceable against Company in accordance with their respective terms, subject only to the effect, if any, of (i) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.4 Capitalization.

(a) **Capital Stock.** There are authorized for issuance (i) 80,000,000 shares of Company Common Stock, and (ii) 49,173,252 shares of Company Preferred Stock, \$0.0001 par value per share, of which 5,000,000 shares are designated as Series A Preferred Stock (“**Series A Preferred Stock**”), 5,673,252 shares are designated as Series B Preferred Stock (“**Series B Preferred Stock**”), 8,500,000 shares are designated as Series C Preferred Stock (“**Series C Preferred Stock**”), and 30,000,000 shares are designated as Series D Preferred Stock (“**Series D Preferred Stock**”). As of the date hereof, the Company Capital Stock consists of the following:

(i) Five Million Seven Hundred Eighty Thousand One Hundred (5,780,100) shares of issued and outstanding Common Stock.

(ii) Five Million (5,000,000) shares of issued and outstanding Series A Preferred Stock.

(iii) Five Million Six Hundred Seventy Three Thousand Two Hundred and Fifty Two (5,673,252) shares of issued and outstanding Series B Preferred Stock.

(iv) Eight Million One Hundred Twenty Five Thousand Eight Hundred Eighty-Nine (8,125,889) shares of issued and outstanding Series C Preferred Stock.

(v) Twenty Three Million Five Hundred Eight Thousand Four Hundred Twenty One (23,508,421) shares of issued and outstanding Series D Preferred Stock.

The number of issued and outstanding shares of Company Capital Stock held by each Company Stockholder as of the Closing Date is set forth on Schedule 3.4(a). No shares of Company Capital Stock are issued or outstanding as of the Closing Date that are not set forth on Schedule 3.4(a) and no shares of Company Capital Stock will be issued or outstanding as of the Closing Date that are not set forth on Schedule 3.4(a) except for shares of Company Common Stock issued pursuant to the exercise of outstanding Company Options listed on Schedule 3.4(b), and shares of Company Capital Stock issued pursuant to the exercise of outstanding Company Warrants listed on Schedule 3.4(c).

(b) **Company Options.** Company has reserved an aggregate of 5,000,000 shares of Company Common Stock for issuance pursuant to the Company Option Plan, of which 2,643,250 shares are subject to outstanding and unexercised Company Options. Schedule 3.4(b) sets forth a true, correct and complete list of all holders of outstanding Company Options, whether or not granted under the Company Option Plans, including the number of shares of Company Common Stock subject to each such option. Company has granted no Company Options outside of the Company Option Plan. A true and correct copy of the Company Option Plan, the standard agreement under the Company Option Plan and each agreement for each Company Option that does not conform to the standard agreement under the Company Option Plan have been delivered by Company to Acquirer’s legal counsel. All outstanding Company Options have been issued and granted in compliance with all Applicable Laws and all requirements set forth in applicable Contracts.

(c) **Company Warrants.** Schedule 3.4(c) sets forth a true, correct and complete list of all holders of outstanding Company Warrants, including the number of shares and type of Company Capital Stock subject to each such warrant, the date of grant, the exercise or vesting schedule (and the terms of any acceleration thereof), the exercise price per share and the term of each such warrant. All outstanding Company Warrants have been issued and granted in compliance with all Applicable Laws and all requirements set forth in applicable Contracts.

(d) Except for Company Options and Company Warrants set forth on Schedule 3.4(b) and Schedule 3.4(c), respectively, there are no other options, warrants, calls, Contracts or other Company Rights of any character to which the Company is a party or by which it is bound obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of any Company Capital Stock, Company Options, Company Warrants or other Company Rights, or obligating the Company to grant, extend, accelerate the vesting and/or repurchase rights of, change the price of, or otherwise amend or enter into any such option, warrant, call, Contract or other Company Right. Neither the Company Option Plan, any Company Option, Company Warrant nor any other Contract of any character to which the Company is a party to or is bound relating to any security of the Company that is entitled (or is exercisable into a security that is entitled) to receive the merger consideration pursuant to Section 2.2 requires or otherwise provides for any accelerated vesting or exercisability of any such security in connection with the Merger or any other transaction contemplated by this Agreement or upon termination of employment or service with Company or with Acquirer following the Merger or otherwise.

3.5 No Conflicts. Neither the execution and delivery of this Agreement or the Company Ancillary Agreements, nor the consummation of any of the transactions contemplated hereby or thereby, will (a) conflict with or violate any provision of the Company Charter Documents as currently in effect, (b) conflict with or violate any Applicable Law, (c) conflict with, violate, constitute a default under, result in a termination, acceleration or breach of, or provide any party with any right of termination or acceleration or any other material rights or remedies under (in each case with or without notice or lapse of time, or both) any agreement that would result in a Material Adverse Effect.

3.6 Litigation. There is no action, suit, proceeding or investigation pending or, to the Company's knowledge, currently threatened against the Company. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.7 Financial Statements and Net Working Capital Statements. Company has delivered to Acquirer its consolidated financial statements as of December 31, 2010 (the "**Balance Sheet Date**") (including, in each case, balance sheets and statements of operations) (collectively, the "**Financial Statements**"), which are included as Schedule 3.7. The Financial Statements (i) are true, correct and complete, (ii) are derived from and are in accordance with the books and records of Company, (iii) fairly and accurately represent the financial condition of Company at the respective dates specified therein and the results of operations for the respective periods specified therein, subject to normal year-end adjustments, which are not material in amount in any individual case or in the aggregate, and (iv) have been prepared in accordance with US GAAP applied on a basis consistent with prior periods, except for the absence of any footnotes thereto. Company does not have any Liabilities of any nature, except for (A) Liabilities set forth in the Financial Statements and (B) Liabilities incurred in the ordinary course of Company's business, consistent with past practice, since the Balance Sheet Date that are not material in amount either individually or collectively and do not result from any breach of contract, tort or violation of law. There has been no change in Company's accounting policies other than as specifically described in the notes to the Financial Statements. All reserves that are set forth or reflected on the balance sheet as of December 31, 2010 (the "**Balance Sheet**") are adequate and have been established in accordance with US GAAP. As of the Closing, Company shall have Cash on Hand of at least \$700,000. As of the Closing, Company shall have cash in its bank accounts of at least \$1,600,000.

3.8 Taxes. There are no federal, state, county, local or foreign taxes dues and payable by the Company which have not been timely paid. There are no accrued and unpaid federal, state, county, local or foreign taxes of the Company which are due, whether or not assessed or disputed. There have

been no examinations or audits of any tax returns or reports by any applicable federal, state, local or foreign governmental agency. The Company has duly and timely filed all federal, state, county, local and foreign tax returns required to have been filed by it and there are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.

3.9 Title to Assets and Properties; Condition of Equipment and Property. Schedule 3.9 lists all lease agreements between Unidym and third parties. The property and assets used by the Company in its business are owned or leased by the Company free and clear of all mortgages, liens, loans and encumbrances, except for (i) statutory liens for the payment of current taxes that are not yet delinquent listed in Schedule 3.9 and (ii) for liens, encumbrances and security interests that arise in the ordinary course of business and/or pursuant to applicable law, and minor defects in title, none of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. With respect to the property and assets it leases, the Company is in compliance with such leases and holds a valid leasehold interest free of any liens, claims or encumbrances, subject to clauses (i)-(ii) of the foregoing sentence, except to the extent the failure to be in compliance or hold a valid leasehold interest would not reasonably be expected to have a Material Adverse Effect.

### 3.10 Agreements.

(a) Except as set forth in Schedule 3.10, there are no agreements or understandings between the Company and any of its officers, directors, affiliates or any affiliate thereof,

(b) There are no agreements, understandings, instruments, contracts, judgments, orders, writs or decrees to which the Company is a party or by which it is bound that may involve (i) obligations (contingent or otherwise) of, or payments to the Company, in excess of \$100,000, other than obligations of, or payments to, the Company arising from purchase or sale agreements entered into in the ordinary course of business, or (ii) provisions materially restricting the development, manufacture or distribution of the Company's products or services, and

(c) The Company has not (i) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iii) sold, exchanged or otherwise disposed of any of its assets or rights.

For the purposes of subsections (a),(b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments and contracts involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

3.11 Compliance. The Company is not in violation of any provision of its Restated Certificate, or Bylaws nor, to the best of its knowledge, of any instrument, judgment, order, writ, decree or contract, statute, rule or regulation to which the Company is subject and a violation of which would reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby and thereby will not result in any such violation, or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

### 3.12 Intellectual Property.

(a) Schedule 3.12 lists all patents and patent applications owned by or exclusively licensed to the Company. The Company has rights to all patents, patent applications, trademarks, service marks, trade names, copyrights, trade secrets, licenses, inventions, information and proprietary rights and processes (collectively, “**Intellectual Property**”) it needs to operate its business as currently conducted. Schedule 3.12 lists all out-license agreements between Unidym and third parties. Schedule 3.12 lists all active non-disclosure agreements, material transfer agreements, and joint development agreements between Unidym and third parties.

(b) Except as set forth in Schedule 3.12(b), the Intellectual Property owned, registered or applied for by the Company, and the Intellectual Property exclusively licensed to the Company, does not conflict with, or constitute an infringement of, the Intellectual Property rights of others and is not being infringed or opposed by any person. Except for the patents licensed to Samsung Electronics and Ensysce Biosciences and listed in Schedule 3.12(b), no third party, employee or other person has any right, claim or interest in any Intellectual Property owned, registered or applied for by the Company.

3.13 Permits. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, except to the extent the lack of which would not reasonably be expected to have a Material Adversely Effect. The Company is not in default under any of such franchises, permits, licenses or other similar authority which would be reasonably expected to have a Material Adverse Effect.

3.14 Certain Transactions and Agreements. No employee, officer or director of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them. To the best of the Company’s knowledge, other than in Arrowhead Research Corporation, a Delaware corporation (“**Arrowhead**”) or in any of Arrowhead’s subsidiaries, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company. No member of the immediate family of any officer or director of the Company is directly or indirectly interested in any material Contract with the Company.

3.15 Labor. Schedule 3.15 lists all existing agreements between Unidym and its employees. The Company is not bound by or subject to any contract, commitment or arrangement with any labor union, and no labor union has requested or, to the best of the Company’s knowledge, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to the best of the Company’s knowledge, threatened, that would reasonably be expected to have a Material Adverse Effect, nor does the Company have knowledge of any labor organization activity involving its employees. To the best of the Company’s knowledge, no officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of the Company is terminable at the will of the Company. The Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement. The Company has complied in all material respects with all applicable state and federal equal employment opportunity and other laws related to employment.

3.16 ERISA. The Company has made all required contributions and has no liability to any such employee benefit plan, other than liability for health plan continuation coverage described in Part 6

of Title I(B) of Employee Retirement Income Security Act of 1974, as amended, and has complied in all material respects with all applicable laws for any such employee benefit plan.

3.17 Proprietary Information Agreements. Each current employee of the Company has executed a Proprietary Information and Inventions Agreement in substantially the form provided to Acquirer upon request by Acquirer. To the best of the Company's knowledge, no such employee is in violation thereof.

3.18 Insurance. The Company has in full force and effect fire and casualty insurance policies with extended coverage, sufficient in amount (subject to reasonable deductions) to allow it to replace any of its properties that might be damaged or destroyed.

3.19 Environmental, Health and Safety Matters.

(a) Except as set forth in Section 3.19(b), the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

(b) The US Environmental Protection Agency (the "**EPA**") has issued recent guidance regarding the classification of carbon nanotubes under the Toxic Substances Control Act. The EPA has stated that it now considers carbon nanotubes to be "new chemicals" rather than materials previously listed on the TSCA Inventory, such as synthetic graphite or other carbon compounds. The Company is in the process of reviewing its compliance with this guidance and has filed paperwork with the EPA. Accordingly, the Company withholds any representation or warranty regarding the matters disclosed in this Section 3.19(b), including its compliance with the new EPA guidance.

## ARTICLE 4

### REPRESENTATIONS AND WARRANTIES OF ACQUIRER AND SUB

Acquirer and Sub represent and warrant to Company that each of the representations, warranties and statements contained in the following Sections of this Article 4 is true and correct on and as of the Closing Date.

4.1 Organization and Good Standing. Acquirer is a corporation duly organized, validly existing and in good standing under the laws of Korea and has the power and authority to own, operate and lease its properties and to carry on its business as presently being conducted and as proposed to be conducted. Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power and authority to own, operate and lease its properties and to carry on its business as presently being conducted.

4.2 Power, Authorization and Validity.

(a) Acquirer and Sub have the right, power and authority to enter into and perform their respective obligations under this Agreement and all Acquirer Ancillary Agreements. The execution, delivery and performance of this Agreement and the Acquirer Ancillary Agreements, and the Merger, have been duly and validly approved and authorized by all necessary action by the Board of Directors of Sub, and no action on the part of the Board of Directors and stockholders of Acquirer is required to authorize the execution, delivery and performance of this Agreement, or the Merger and the

consummation of the transactions contemplated hereby and thereby, and this Agreement has been duly executed and delivered by Acquirer and Sub.

(b) No filing, authorization, consent, approval, permit, order, registration or declaration, governmental or otherwise, is necessary to enable Acquirer and Sub to enter into, and to perform their respective obligations under, this Agreement or the Acquirer Ancillary Agreements, except for: (i) the filing of the Certificate of Merger with the Delaware Secretary of State; (ii) the filing of a direct overseas investment report in connection with Acquirer's investment in Sub; and (iii) such other filings, authorizations, consents, approvals, permits, orders, registrations and declarations, if any, that if not made or obtained by Acquirer or Sub would not be material to Acquirer's or Sub's ability to consummate the Merger or to perform their respective obligations under this Agreement and the Acquirer Ancillary Agreements.

(c) This Agreement and the Acquirer Ancillary Agreements are, or when executed by Acquirer and Sub (as applicable) will be, valid and binding obligations of Acquirer and Sub (as applicable) enforceable against Acquirer and Sub (as applicable) in accordance with their respective terms, subject only to the effect, if any, of (i) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

4.3 No Conflicts. Neither the execution and delivery of this Agreement or the Acquirer Ancillary Agreements, nor the consummation of any of the transactions contemplated herein or therein, will (a) conflict with or violate any provision of the Certificate of Incorporation or Bylaws of Acquirer or Sub, each as currently in effect, or (b) except as would not have a Material Adverse Effect on Acquirer, conflict with or violate any Applicable Law.

4.4 No Prior Sub Operations. Sub was formed solely for the purpose of effecting the Merger and has not engaged in any business activities or conducted any operations other than in connection with the transactions contemplated hereby.

## ARTICLE 5

### PRE-CLOSING COVENANTS

During the time period from the Agreement Date until the earlier to occur of (a) the Effective Time and (b) the termination of this Agreement in accordance with the provisions of Article 10, the parties hereto agree to take all necessary action to satisfy their respective closing conditions, including but not limited to the following:

5.1 Access to Information. The Company shall give Acquirer and its representatives full reasonable access to such information as Acquirer may request.

5.2 Conditions Precedent. The Company and Arrowhead shall satisfy the conditions precedent set forth in Article 8, and shall promptly notify Acquirer of any circumstance which is, or may result in, an inaccuracy or breach of any representation, warranty or covenant by them under this Agreement, or any Material Adverse Change; provided, however, that no such notice shall excuse the condition set forth in Article 8.

5.3 Conduct of Business. Except as expressly contemplated by this Agreement, Arrowhead shall ensure that the Company shall conduct its business and operations only in the ordinary course of

business consistent with past practice. Arrowhead shall ensure that the Company shall not do anything which would make any of the representations and warranties under Article 3 inaccurate or misleading.

5.4 Requisite Votes. Within four (4) hours following the execution of this Agreement by the parties hereto, the Company shall deliver to evidence to Acquirer that it has obtained the Requisite Votes.

## ARTICLE 6

### COVENANTS OF ACQUIRER AND THE SURVIVING CORPORATION

#### 6.1 Indemnification of Company Directors and Officers.

(a) If the Merger is consummated, for a period of six (6) years following the Effective Time, the Surviving Corporation or Acquirer shall fulfill and honor in all respects its obligations to any of its current or former directors and officers as of immediately prior to the Effective Time (the “**Company Indemnified Parties**”) pursuant to any indemnification provisions under the Company Charter Documents as in effect on the Agreement Date and pursuant to any indemnification agreements between Company and such Company Indemnified Parties existing as of the Agreement Date (the “**Company Indemnification Provisions**”), with respect to claims arising out of matters occurring at or prior to the Effective Time. Any claims for indemnification made under this Section 6.1(a) on or prior to the sixth anniversary of the Effective Time shall survive such anniversary until the final resolution thereof. The Surviving Corporation shall retain or include in its certificate of incorporation and bylaws indemnification provisions, including provisions respecting the advancement of expenses, that are at least as favorable to the Company Indemnified Parties as the indemnification provisions in effect immediately prior to the Effective Time, for the benefit of the Company Indemnified Parties, and, during such six (6) year period, such provisions shall not be amended, repealed or otherwise modified in any respect (except to the extent that such amendment preserves, increases or broadens the indemnification or other rights theretofore available to the Company Indemnified Parties or as required by Applicable Law).

(b) Each of Acquirer, the Surviving Corporation and the Company Indemnified Parties shall cooperate, and cause their respective Affiliates to cooperate, in the defense of any action requiring indemnification under this Section 6.1 and shall provide access to properties and individuals as reasonably requested and furnish or cause to be furnished records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

(c) The obligations set forth in this Section 6.1 will continue for a period of six (6) years following the Closing Date and will continue in effect thereafter with respect to any proceeding or claim commenced or asserted, as applicable, prior to the sixth anniversary of the Closing Date. The provisions of this Section 6.1 are intended to be for the benefit of, and shall be enforceable by, the Company Indemnified Parties.

6.2 Acquirer Compliance With Earn Out. Acquirer will use commercially reasonable efforts to cause the Surviving Corporation to fulfill and honor in all respects its obligations to pay the Earnout Consideration to the Company Stockholders, if and when owed, pursuant to the terms and conditions of this Agreement.

6.3 Acquirer Capital Commitment. Acquirer covenants and agrees that it will transfer to the Surviving Corporation: (1) \$400,000 of the capital used to pay the Merger Cash Consideration by January 28, 2011; and (2) the remainder of the capital used to pay the Merger Cash Consideration by February 18, 2011. Acquirer unconditionally guarantees the obligations of the Surviving Corporation until such

transfer is completed. It is further agreed that creditors of Unidym and the Surviving Corporation are intended to be third party beneficiaries under this Section 6.3.

6.4 Closing Balance Sheet. The Surviving Corporation will deliver to Acquirer the Closing Balance Sheet by January 31, 2011.

## ARTICLE 7

### CONDITIONS TO OBLIGATIONS OF COMPANY

The obligations of Company hereunder are subject to the fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by Company, but only in a writing signed on behalf of Company by Company's Chief Executive Officer, and by proceeding with the Closing, Company shall be deemed to have waived any of such conditions that remain unfulfilled or unsatisfied):

7.1 Stockholder Approval. The Merger shall have been duly and validly approved and this Agreement shall have been duly and validly adopted, as required by Delaware Law and the Company Charter Documents, each as in effect on the date of such approval and adoption, by the Requisite Votes.

7.2 Accuracy of Representations and Warranties. The representations and warranties of Acquirer set forth in the Bond Purchase Agreement and the Stock Purchase Agreement will be true and correct in all material respects on the Agreement Date and on the Closing Date with the same force and effect as if they had been made on the Closing Date (except for any such representations and warranties that, by their terms, speak only as of a specific date or dates, in which case such representations and warranties will be true and correct in all material respects, on and as of such specified date or dates).

7.3 Closing Deliverables. Company will have received each of the agreements, instruments, consents, waivers and other documents set forth in Section 2.7(c).

7.4 Funding of Sub. Company will have received evidence from Acquirer that Acquirer transferred USD \$3,500,000 to Sub in order for the Surviving Corporation to fulfill its obligation to pay the Merger Cash Consideration pursuant to the terms and conditions of this Agreement.

## ARTICLE 8

### CONDITIONS TO OBLIGATIONS OF ACQUIRER AND SUB

The obligations of Acquirer and Sub hereunder are subject to the fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by Acquirer and Sub, but only in a writing signed on behalf of Acquirer and Sub by a duly authorized officer of each of Acquirer and Sub, and by proceeding with the Closing, Acquirer and Sub shall be deemed to have waived any of such conditions that remain unfulfilled or unsatisfied):

8.1 Stockholder Approval. The Merger shall have been duly and validly approved and this Agreement shall have been duly and validly adopted, as required by Delaware Law and the Company Charter Documents, each as in effect on the date of such approval and adoption, by the Requisite Votes.

8.2 Closing Deliverables. Acquirer will have received each of the agreements, instruments, consents, waivers and other documents set forth in Section 2.7(b).

8.3 Accuracy of Representations and Warranties. The representations and warranties of Company and Arrowhead set forth in Article 3 will be true and correct in all material respects on the Closing Date with the same force and effect as if they had been made on the Closing Date (except for any such representations and warranties that, by their terms, speak only as of a specific date or dates, in which case such representations and warranties will be true and correct in all material respects, on and as of such specified date or dates).

8.4 No Payment to Dissenting Shares. Company has not made any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand in respect of any Dissenting Shares.

8.5 Samsung Transaction. Company has received proceeds from the Samsung Transactions in an amount equivalent to USD \$4,500,000 in cash minus applicable withholding taxes.

## ARTICLE 9

### TERMINATION OF AGREEMENT

9.1 Termination. This Agreement may be terminated at any time before the Closing, whether before or after approval of the Merger by the Company Stockholders:

(a) by the mutual written consent of Acquirer and Company; or

(b) by either Acquirer or Company, if all conditions to such party's obligations to consummate the transactions contemplated by this Agreement have not been satisfied or waived, and the Closing has not occurred, on or before the date that is thirty (30) days from the Agreement Date.

## ARTICLE 10

### GENERAL PROVISIONS

10.1 Non-Survival of Representations and Warranties. If the Merger is consummated, the representations and warranties of Company, Arrowhead, Acquirer and Sub contained in this Agreement shall expire and be of no further force or effect as of and following the Effective Time, and only such covenants and agreements of Acquirer and Company in this Agreement that by their terms survive the Effective Time shall survive the Effective Time. Notwithstanding the foregoing, in no event shall the expiration of the representations and warranties of Arrowhead have the effect of precluding Acquirer or the Surviving Corporation from asserting a claim for fraud, including fraud in the inducement.

10.2 Governing Law; Submission to Jurisdiction. The internal laws of the State of California, irrespective of its choice of law principles, will govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto. Each of the parties hereto (a) submits to the personal jurisdiction of any state or federal court sitting in Santa Clara County, California in any action or proceeding arising out of or relating to 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, including but not limited to a motion for forum of non conveniens or other actions or other motions asserting the aforementioned forum is inconvenient (and waives any bond, surety or other security that might be required of any other party with respect thereto), (c) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, and (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at

the address and in the manner provided for giving of notices in Section 10.7. Nothing in this Section 10.2, however, will affect the right of any party to serve legal process in any other manner permitted by law.

10.3 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to specific performance and injunctive relief as a remedy to prevent breaches of this Agreement, without any requirement to post a bond or other security, and to enforce specifically the terms and provisions hereof in any court of the United States or any state or country having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. The provisions of this Section 10.3 are intended to be for the benefit of, and shall be enforceable by, the Company Stockholders.

10.4 Assignment; Binding Upon Successors and Assigns. No party hereto may assign any of its rights or obligations hereunder without the prior written consent of the other parties hereto; provided, however, that any party, without the consent of any other party hereto, assign this Agreement and the Acquirer Ancillary Agreements (a) to any of its majority-owned Subsidiaries, (b) by operation of law, or (c) in connection with any merger, consolidation or sale of all or a significant portion of its assets or in connection with any similar transaction. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Any assignment in violation of this Section 10.4 will be void.

10.5 Severability. If any provision of this Agreement, or the application thereof, is for any reason held to any extent to be invalid, illegal or unenforceable, then the remainder of this Agreement and the application thereof will nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement are not affected in any manner materially adverse to any party hereto. Upon such determination that any provision is invalid, illegal or unenforceable, the parties agree to replace such provision with a valid, legal and enforceable provision that will achieve, to the maximum extent legally permissible, the economic, business and other purposes of such provision.

10.6 Amendment and Waivers. This Agreement may not be amended or modified except by a written instrument signed by Acquirer, Sub, and Company. This Agreement may be amended by the parties hereto as provided in this Section 10.6 at any time before or after approval of this Agreement by the Company Stockholders; provided, however, that, after such approval, no amendment will be made that by Applicable Laws requires the further approval of the Company Stockholders without obtaining such further approval. At any time prior to the Effective Time, each of Company and Acquirer, by action taken by its Board of Directors, may, to the extent legally allowed: (a) extend the time for the performance of any of the obligations or other acts of the other contained herein or in any agreement, certificate or document delivered pursuant hereto; (b) waive any inaccuracies in the representations and warranties made to it contained herein or in any agreement, certificate or document delivered pursuant hereto; and (c) waive compliance with any of the agreements or conditions for its benefit contained herein or in any agreement, certificate or document delivered pursuant hereto. No such extension or waiver will be effective unless signed in writing by the party against whom such extension or waiver is asserted. The waiver by a party of any breach hereof or default in the performance hereof will not be deemed to constitute a waiver of any other breach or default or any succeeding breach or default. The failure of any party to enforce any of the provisions hereof will not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

10.7 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be either hand delivered in person, sent by facsimile, sent by certified or registered first-class mail, postage pre-paid, or sent by nationally recognized express courier service. Such notices and other communications will be effective upon receipt if hand delivered or upon confirmation if sent by facsimile, five (5) calendar days after mailing if sent by mail, and one business day after dispatch if sent by express courier, to the following addresses, or such other addresses as any party may notify the other parties in accordance with this Section 10.7:

If to Acquirer:

Wisepower Co., Ltd.  
5th Fl., Ace Techno Tower  
Mullaedong 3-Ga, Yongsan-Gu  
Seoul, Korea  
Tel: +82-2-2637-7550  
Fax: +82-2-2637-7594

If to Company:

Unidym, Inc.  
1244 Reamwood Avenue  
Sunnyvale, CA 94089  
Attn: Mark Tilley  
Tel: (408) 636-7500  
Fax: (408) 636-7539

with a copy to:

Fenwick & West LLP  
Silicon Valley Center  
801 California Street  
Mountain View, CA 94041  
Attention: Mark A. Leahy, Esq.  
Facsimile Number: (650) 938-5200

10.8 No Joint Venture. Nothing contained in this Agreement will be deemed or construed as creating a joint venture or partnership between any of the parties hereto. Except as otherwise specified herein: (a) no party is by virtue of this Agreement authorized as an agent, employee or legal representative of any other party; (b) no party will have the power to control the activities and operations of any other and their status is, and at all times will continue to be, that of independent contractors with respect to each other; (c) no party will have any power or authority to bind or commit any other party; and (d) no party will hold itself out as having any authority or relationship in contravention of this Section 10.8.

10.9 Absence of Third-Party Beneficiary Rights. No provisions of this Agreement are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any client, customer, Affiliate, stockholder, partner or employee of any party hereto or any other Person, unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions hereof will be personal solely between the parties to this Agreement.

10.10 Time is of the Essence. The parties hereto acknowledge and agree that time is of the essence in connection with the execution, delivery and performance of this Agreement.

10.11 Entire Agreement. This Agreement, including the Exhibits and Schedules hereto, the Company Ancillary Agreements and the Acquirer Ancillary Agreements constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, oral or written, between the parties, including that certain Non-Binding Confidential Term Sheet negotiated between Company and Acquirer. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

10.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original as regards any party whose signature appears thereon and all of which together will constitute one and the same instrument.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**UNIDYM, INC.**

By: /s/ Mark G. Tilley  
Name: Mark G. Tilley  
Title: CEO

**UNICYCLE ACQUISITION CORP.**

By: /s/ Mark G. Tilley  
Name: Mark G. Tilley  
Title: CEO

**WISEPOWER CO., LTD.**

By: /s/ Gi Ho Park  
Name: Gi Ho Park  
Title: CEO

**ARROWHEAD RESEARCH CORPORATION**

By: /s/ Christopher Anzalone  
Name: Christopher Anzalone  
Title: CEO

## STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (the "*Agreement*") is made and entered into as of January 17, 2011, by and among Wisepower Co., Ltd., a company organized under the laws of Korea ("*Wisepower*" or the "*Company*"), WP&Company Co. Ltd., a company organized under the laws of Korea ("*WP&Co*" and together with Wisepower, the "*Sellers*" and each a "*Seller*"), and Arrowhead Research Corporation, a Delaware corporation ("*Arrowhead*" or "*Purchaser*")

## WHEREAS:

A. The Purchaser will receive a total of \$5,000,000 as merger consideration (the "*Merger Consideration*") pursuant to that certain Merger Agreement, dated January 17, 2011 (the "*Merger Agreement*"), by and among Wisepower, Unicycle Acquisition Corp., a Delaware corporation which is a wholly owned subsidiary of Wisepower, and Unidym, Inc., a Delaware corporation ("*Unidym*"). Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement.

B. As a condition to closing under the Merger Agreement, the Purchaser and the Sellers shall have entered into this Agreement, providing for the application by the Purchaser of the Merger Consideration to purchase from the Sellers shares of Company common stock.

NOW THEREFORE, the parties hereby agree as follows:

## ARTICLE 1.

## PURCHASE OF SHARES; DEFINITIONS.

1.01 Purchase and Sale of Shares. The Sellers agree to sell to the Purchaser, and, subject to and in reliance upon the representations, warranties, covenants, terms and conditions of this Agreement, the Purchaser agrees to purchase a total of shares of Company common stock, par value 100 Won per share (the "*Shares*"), in the respective amounts set forth opposite each Seller's name on Exhibit A hereto at a price of \$1.2065 per share, for aggregate consideration of \$2,500,000, which shall be paid out of the Merger Consideration.

1.02 Closing. The purchase and sale of the Shares will take place at a closing (the "*Closing*") to be held at the offices of Wisepower, at 5th Floor, Ace Techno Tower, 55-7 Mullae-3Ga, Youngdeungpo, Seoul, Korea immediately after with the closing under the Merger Agreement, or at such other time or place as may be mutually agreed upon by the Company and the Purchasers. At the Closing, the Purchaser will deliver to the Sellers as payment in full for the Shares to be purchased by the Purchaser at the Closing, the respective amounts set forth opposite such Seller's name on Exhibit A, payable out of the Merger Consideration. At the Closing, the Sellers will deliver to the Purchaser one or more certificates representing the Shares, free and clear of all liens, encumbrances or other restrictions on transfer in such amounts as set forth opposite such Seller's name on Exhibit A.

1.03 Definitions. When used in this Agreement, the following terms shall have the respective meanings set forth below:

“Affiliate” shall mean, (x) with respect to any Person (whether an individual or not), (i) any Person directly or indirectly controlling, controlled by or under common control with, such Person; (ii) any Person owning five percent (5%) or more of the outstanding stock of such Person; and (iii) any Person who is a director, officer or key employee of such Person or of any Person described in clause (i) above and (y) with respect to any Person who is an individual, the spouse or any lineal descendant, sibling or parent of such Person. As used herein, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Law” shall mean, with respect to any Person, any transnational, domestic or foreign national, federal, provincial, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended, modified or supplemented unless expressly specified otherwise.

“Business Day” shall mean any day that is not a Saturday, Sunday or a day on which commercial banks in Seoul or New York City are required or authorized by Applicable Law to close.

“Governmental Authority” shall mean any government or governmental, legislative, executive, regulatory or administrative body, or political subdivision thereof, whether international, federal, state, municipal, local or foreign, or any agency, board, bureau, commission, office, instrumentality or authority thereof, or any court or arbitrator (public or private).

“Knowledge” of any Person that is not an individual shall mean the knowledge of such Person’s officers after due inquiry.

“Korea” shall mean the Republic of Korea.

“Korean GAAP” shall mean the generally accepted accounting principles in Korea.

“Material Adverse Effect” shall mean a material adverse effect on the condition (financial or otherwise), business, assets, results of operations or prospects of the Sellers.

“Person” shall mean any natural person, entity, corporation, company, association, joint venture, joint stock company, partnership, trust, organization, individual or Governmental Authority.

ARTICLE 2.  
CONDITIONS TO PURCHASER'S OBLIGATIONS

The respective and several obligations of the Purchaser to purchase and pay for the Shares to be purchased by it at Closing are subject to the fulfillment or waiver, on or before Closing, of each of the following conditions:

2.01 Completion of Merger. The Merger shall have closed and the Merger Consideration shall have been delivered to Arrowhead as contemplated in Section XX of the Merger Agreement.

2.02 Representations and Warranties. Each of the representations and warranties of the Wisepower set forth in Article III hereof shall be true in all material respects on the date of each Closing.

2.03 Performance by the Sellers. The Sellers shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before each Closing and shall have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

2.04 Delivery of Shares. The Sellers shall have caused the Shares to be credited to the account of the Purchaser's custodian with the Korea Securities Depository as set forth below:

Name:

Account:

ARTICLE 3.  
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers hereby represent and warrant to the Purchaser as follows, each of which representation and warranty is true and correct as of the date hereof:

3.01 Organization and Good Standing. The Sellers are duly organized, validly existing and in good standing under the laws of Korea and has the power and authority to own, operate and lease its properties and to carry on its business as presently being conducted and as proposed to be conducted. The Sellers are duly qualified or licensed to do business and are in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification or licensing necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, have a Material Adverse Effect on the Sellers.

3.02 Power, Authorization and Validity.

(a) The Sellers have the right, power and authority to enter into and perform their obligations under the agreements to which they are a party (collectively, the "*Transaction*")

Agreements”). All corporate action on the part of their officers, Board of Directors and stockholders necessary for the execution, delivery and performance of the Transaction Agreements, including the authorization, sale and delivery of the Shares pursuant to the Merger Agreement, has been taken and no other action on the part of their officers, Board of Directors or stockholders is necessary for the execution, delivery and performance of the Transaction Agreements. The Transaction Agreements constitute valid and binding obligations of the Sellers.

(b) No filing, authorization, consent, approval, permit, order, registration or declaration from any Governmental Authority is necessary to enable the Sellers to enter into, and to perform its obligations under, the Transaction Agreements.

3.03 No Conflicts. The execution and delivery of the Transaction Agreements will not conflict with any other agreement to which the Sellers are parties or the charter, bylaws or other organizational documents of the Sellers.

3.04 Valid Issuance of Wisepower Common Stock; Listing. The Shares, when paid for at Closing, will be duly authorized, validly issued, fully paid and non-assessable. The Shares have been listed for trading on the KRX and will be freely tradable by the Purchaser as of the Closing, subject only to the limitations set forth in Section 5.03 of this Agreement.

3.05 Filings; Financial Statements. Wisepower has timely filed or delivered, as applicable, all required forms, reports and documents (the “*Wisepower Reports*”) with the Financial Supervisory Services (“*FSS*”) and/or the Korea Exchange (“*KRX*”) since Wisepower’s initial public offering, each of which has complied in all material respects with all applicable requirements relating to securities laws, including, but not limited to, the Financial Investment Services and Capital Markets Act, each as in effect on the dates such forms, reports and documents were filed or delivered. No subsidiary of Wisepower has filed, or is required to file, any form, report or other document with the FSS or KRX. As of their respective dates, the Wisepower Reports did not at the time they were filed (or if amended or superseded by a filing, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent corrected by a subsequently filed Wisepower Report that was filed prior to the execution of the Merger Agreement. Each of the financial statements (including, in each case, any related notes thereto) contained in the Wisepower Reports: (i) complied as to form in all material respects with the published rules and regulations of FSS and KRX with respect thereto; (ii) was prepared in accordance with Korean GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto); and (iii) fairly presented in all material respects the financial position of Wisepower and its subsidiaries, taken as a whole, as at the respective dates thereof and the results of Wisepower’s operations and cash flows for the periods indicated, except that the unaudited interim financial statements may not contain footnotes and were or are subject to normal and recurring year end adjustments, none of which will be material in nature or amount.

3.06 Litigation. Except as disclosed in the Wisepower Reports, as of the Closing, there is no litigation pending or, to Wisepower's knowledge, threatened against Wisepower or any of its subsidiaries.

3.07 Transferable Securities. Wisepower represents that upon issuance of the Securities, subject to the restrictions set forth below, the Securities will be freely transferable by the Purchasers and may be resold without any registration requirements and without Wisepower's consent.

3.08 Incorporation of Representations and Warranties. The representations and warranties of Wisepower, as set forth in the Merger Agreement, are incorporated herein by reference and are deemed to be made directly to the Purchasers pursuant to this Agreement.

3.09 Complete Disclosure. As of the Closing, the Company has made available to the Purchasers all the information that the Purchasers have requested in making their decision to acquire the Securities. To the Company's knowledge, neither the Agreement, nor any other documents or certificates furnished or to be furnished in connection herewith, when taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

3.10 Real Property Corporation. WP&Co. represents that it does not constitute a Korean real property corporation as defined under Korea law as the value of immovable real property located in Korea held by WP&Co. (if any) is less than 50 percent of the value of all the property held by WP&Co.

ARTICLE 4.  
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Sellers as follows, each of which representation and warranty is true and correct as of the date hereof:

4.01 Authorization. The Purchaser has full power and authority to enter into this Agreement, and this Agreement constitutes a valid and legally binding obligation, enforceable in accordance with its terms.

4.02 Disclosure of Information. The Purchaser believes it has received all the information it considers necessary or appropriate for deciding whether to acquire the Securities. The Purchaser further acknowledges that it has had an opportunity to ask questions and receive answers from Wisepower regarding the Securities and the business, properties, prospects and financial condition of Wisepower. The foregoing, however, does not limit or modify the representations and warranties of Wisepower in this Agreement or the right of Purchaser to rely thereon.

4.03 Investment Experience. The Purchaser has experience investing in securities of companies in the development stage and acknowledges that it is able to bear the economic risk of their investments, 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 Securities. The Purchaser also represents it has not been organized for the purpose of acquiring the Securities.

4.04 Accredited Investor. Each Purchaser is an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933.

ARTICLE 5.  
COVENANTS OF THE SELLERS AND THE PURCHASER

5.01 Information Rights. During the ten-year period contemplated in Section 2.2 of the Merger Agreement, Wisepower will, and will cause Surviving Corporation to, provide Arrowhead and its authorized representatives and agents with access to material information relating to Unidym’s operations, prospects and financial results. Such information will include any information that is reasonably related to the achievement of the Earnout Payments, including, without limitation, information relating to the Unidym Revenue. To the extent that any such information is confidential, Arrowhead shall agree to maintain such information in confidence.

5.02 Restrictions on Open-Market Sales.

(a) The Purchaser covenants and agrees that it will not sell any portion of the Shares in an open-market transaction prior to the following schedule:

<u>Date</u>	<u>Cumulative Portion of Shares Eligible for Sale by Each Purchaser</u>
30 days after Closing	20%
90 days after Closing	40%
180 days after Closing	60%
270 days after Closing	100%

The Purchaser covenants that any person or entity acquiring any portion of the Shares in a non-open-market transaction within 270 days from the Closing will, as a condition to any such transfer, agree to the foregoing restrictions on open-market sales. For so long as the foregoing restrictions are in place on proposed sales by the Purchaser, Park agrees, for himself and his Affiliates, that he and his Affiliates will not sell any shares of Wisepower common stock in excess of the portion of the Shares that are available for sale by the Purchaser. By way of example only, if the Purchaser is able to sell no more than 100,000 Shares in the aggregate after the first 30 days following Closing, then Park and his affiliates would similarly be able to sell no more than 100,000 shares of Wisepower common stock during that same time. Notwithstanding any of the foregoing, none of the restrictions contained in this Section 5.02 shall apply to those

shares of Company common stock that may result from the exercise of stock options by certain directors of the Company, all as set forth in additional detail in Exhibit B.

(b) The foregoing restriction under this Section 5.02 shall expire upon the earlier of a Change of Control or Wisepower's first public announcement of its intention to consummate a transaction that, if successfully completed, would reasonably be expected to constitute a Change of Control. Wisepower shall provide the Purchaser with prompt written notice (in any event within 24 hours) of the occurrence of either of the foregoing events relating to a Change of Control. For purposes of this Agreement, "Change of Control" shall mean: (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of a majority of the voting stock of the Company to a single person or entity or a group of affiliated persons or entities, or (iv) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction.

#### **5.03 Notice of Proposed Sale.**

(a) From the Closing, the Purchaser shall complete delivery of written notices to Wisepower (i) on the first day of each calendar month, which notices shall detail the number of Shares held by it as of the last day of the immediately preceding month, and (ii) on the 29<sup>th</sup>, 89<sup>th</sup>, 179<sup>th</sup> and 269<sup>th</sup> day after Closing, which notices shall detail the number of Shares held by it as of such date.

(b) If Arrowhead proposes to sell in excess of 100,000 Shares in one or more open-market transactions in any thirty-day period, Arrowhead shall first give written notice of the proposed sale to Wisepower (a "Notice of Sale"), thereupon Wisepower will have a right of first refusal to purchase the Shares that are proposed to be sold pursuant to the Notice of Sale. To exercise its right of first refusal under this Section 5.03, Wisepower shall provide Arrowhead with written notice of its irrevocable election to purchase all or any portion of the Shares offered for sale (a "Notice of Purchase"), which notice must be provided to Arrowhead within 48 hours from the delivery of the Notice of Sale. The price at which the Shares will be purchased and sold pursuant to the Notice of Purchase will be equal to the [volume weighted average price of Wisepower's common stock on its principal trading market over the ten trading days following the receipt of the Notice of Purchase by Arrowhead. The purchase and sale of the Shares will close within three Business Days following this ten-day pricing period.

#### **ARTICLE 6. TERMINATION.**

6.01 Termination Prior to Closing. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of the Sellers and Purchaser;

(b) by either the Sellers or Purchaser if there shall be any Applicable Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any non-appealable final order, decree or judgment of any Governmental Authority having competent jurisdiction; or

(c) by the Purchaser, if any of the Sellers breaches or fails to perform in any respect any of their representations, warranties or covenants contained in this Agreement and such breach or failure to perform (A) would give rise to the failure of a condition set forth in this Agreement hereof, (B) cannot be or has not been cured within fifteen (15) days following written notice of such breach or failure to perform and (C) has not been waived by the Purchaser.

The party desiring to terminate this Agreement pursuant to Section 6.01 shall give notice of such termination to the other parties.

6.02 Effect of Termination. If this Agreement is terminated as permitted by Section 6.01 hereof, such termination shall be without liability of any Party (or any stockholder, director, officer, employee, agent, consultant or representative of such party) to the other Parties; *provided* that if such termination shall result from the (i) willful failure of any Party to fulfill a condition to the performance of the obligations of the other Parties, (ii) failure to perform a covenant of this Agreement or (iii) breach by any Party of any representation or warranty or agreement contained herein, such Party shall be fully liable for any and all losses incurred or suffered by the other Parties as a result of such failure or breach.

ARTICLE 7.  
DISPUTE RESOLUTION.

7.01 Dispute Resolution. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (the "ICC") by one or more arbitrators appointed in accordance with the said Rules, with such arbitration proceeding (a "Proceeding") to be conducted in the English language in Los Angeles, California. The Sellers and the Purchaser irrevocably waive any objection that they might now or hereafter have to the exclusive jurisdiction of the ICC.

7.02 Preliminary or Injunction Relief. Notwithstanding any other provision of this Agreement, any Party shall be entitled to seek preliminary or injunctive relief from any court of competent jurisdiction, pending the final decision in the legal suit, action or proceeding under Article 7.01

7.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Korea.

7.04 Waiver of Immunity. To the extent that the Sellers may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Sellers agree not to claim and irrevocably waive, or have waived, such immunity to the full extent permitted by the laws of such jurisdiction.

ARTICLE 8.  
MISCELLANEOUS

8.01 No Waiver; Cumulative Remedies. No failure or delay on the part of any party to this Agreement in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8.02 Addresses for Notices, etc. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next Business Day; or (iii) one (1) day after deposit with a internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the address as set forth on the signature page hereof or at such other address as such party may designate by ten (10) days' advance written notice to the other parties hereto.

8.03 Binding Effect; Assignment. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the Sellers and the Purchaser and their respective heirs, successors and assigns.

8.04 Headings; Interpretation. In this Agreement, (i) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; (ii) the captions and headings are used only for convenience and are not to be considered in construing or interpreting this Agreement and (iii) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation". All references in this Agreement to sections, paragraphs, exhibits and schedules shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

8.05 No Finder's Fees. Each party represents that it neither is nor will be obligated for any finder's or broker's fee or commission in connection with the transactions contemplated by this Agreement. The Purchaser agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's or broker's fee (and

any asserted liability) for which the Purchaser or any of its directors, officers, partners, members, employees or representatives is responsible. The Company agrees to indemnify and hold harmless the Purchaser from any liability for any commission or compensation in the nature of a finder's or broker's fee (and any asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

8.06 Survival of Representations and Warranties. All representations and warranties made in this Agreement, the Securities or any other instrument or document delivered in connection herewith or therewith, shall survive the execution and delivery hereof or thereof and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of any of the Purchaser or the Sellers, as the case may be.

8.07 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.09 Counterpart; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement may be executed and delivered by facsimile, or by e-mail in portable document format (.pdf) and delivery of the signature page by such method will be deemed to have the same effect as if the original signature had been delivered to the other parties.

8.10 Entire Agreement. This Agreement, together with all exhibits and schedules hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede any and all prior negotiations, correspondence, agreements, understandings duties or obligations between the parties with respect to the subject matter hereof.

8.11 Further Assurances. From and after the date of this Agreement, upon the request of the Purchaser or the Sellers, the Sellers and the Purchaser shall execute and deliver such instruments, documents or other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

8.12 Appointment of Director. The Purchaser shall be entitled to appoint a standing director to the board of directors of the Company pursuant to the rights and procedures enumerated under Applicable Law and any agreements between or among the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day, month and year first above written.

ARROWHEAD RESEARCH CORPORATION

By: /s/ Christopher Anzalone

Name: Christopher Anzalone

Title: CEO

Address: 201 South Lake Ave., Ste 703  
Pasadena, CA 91101

WISEPOWER

By: /s/ Gi Ho Park

Name: Gi Ho Park

Title: CEO

Address: 5<sup>th</sup> Fl., Ace Techno Tower  
Mullaedong 3-Ga,  
Yongsan-Gu  
Seoul, Korea

WP&CO

By: /s/ Gi Ho Park

Name: Gi Ho Park

Title: CEO

Address: 5<sup>th</sup> Fl., Ace Techno Tower  
Mullaedong 3-Ga,  
Yongsan-Gu  
Seoul, Korea

**WISEPOWER CO., LTD.**

*U.S. Dollar \$2,500,000*  
*Convertible Bonds due January 17, 2014*

**BOND PURCHASE AGREEMENT**

January 17, 2011

**Lee International IP & Law Group**

14F Kukdong Bldg.  
Chungmuro 3-ga, Chung-gu  
Seoul 100-705, Korea  
TEL: 82-2-2262-6041 FAX: 82-2-2279-5020

## BOND PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (“**Agreement**”) is entered into this 17th day of January 2011 by and between Wisepower Co., Ltd., a company duly organized and existing under the laws of the Republic of Korea (the “**Issuer**”) and Arrowhead Research Corporation, a Delaware corporation (“**Arrowhead**” or “**Purchaser**”).

WHEREAS, the Issuer has duly authorized the issue of its Convertible Bonds due January 17th, 2014 in the aggregate principal amount of 2.5 million U.S. Dollar (\$2,500,000) (the “**Bonds**”), to be issued to the Purchaser;

WHEREAS, the Bonds are constituted by the Terms and Conditions of the Bonds attached hereto as Exhibit A (the “**Terms and Conditions**”) and are convertible into the common shares of the Issuer on the terms and conditions and in the manner set forth in the Terms and Conditions;

WHEREAS, on the terms of and subject to the conditions set forth in this Agreement, the Purchaser has agreed to purchase from the Issuer, and the Issuer has agreed to issue to the Purchaser, the Bonds; and

WHEREAS, certain capitalized terms shall have the same meaning ascribed thereto in the Terms and Conditions.

NOW THEREFORE, the Issuer and the Purchaser agree as follows:

### 1. ISSUANCE AND SALE OF THE BONDS

#### 1.1. Offering and Sale of Bonds.

(a) The Issuer has duly authorized the issue of the Bonds in accordance with the Terms and Conditions and, subject to the terms and conditions hereof, the Issuer shall issue to the Purchaser, and the Purchaser shall purchase from the Issuer at the Closing as described in Section 2 hereof, the Bonds in an amount of US \$2,500,000 at an issue price of 100 per cent of the principal amount of the Bonds (the “**Issue Price**”).

(b) The payment of the Issue Price shall be satisfied solely out of the Merger Consideration payable to the Purchaser in its capacity as a holder of preferred stock of Unidym (defined below), which will be paid as contemplated under that certain Merger Agreement, dated January 17, 2011 (the “**Merger Agreement**”), by and among the Issuer, Unicycle Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of the Issuer, and Unidym, Inc., a Delaware corporation (“**Unidym**”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement.

### 2. CLOSING

The issue of the Bonds to be purchased by the Purchaser (the “**Closing**”) shall take place at the offices of Wisepower Co., Ltd., at 5th Floor, Ace Techno Tower, 55-7 Mullaee-3Ga, Youngdeungpo, Seoul, Korea (or at such other place as the parties hereto may agree) on January [ ], 2011 and immediately after the closing of the Merger, or on such other date as the parties hereto may agree (the “**Closing Date**”), provided that each of the conditions in Section 3 hereof shall have been satisfied prior to such date or be satisfied concurrently with the Closing. At the Closing, the Issuer shall deliver to the Purchaser, or any other persons designated by the Purchaser, one or more certificate(s) representing the Bonds (in the form set out in Schedule 2), dated the Closing Date and registered with the Register of Bondholders in the name of each Purchaser or any other persons designated by the Purchaser, against payment by the Purchaser of the Issue Price. If at the Closing the Issuer shall fail to deliver the Bonds to the Purchaser or any other persons designated by the Purchaser as provided in this Section 2, or any of the conditions specified in Section 3 hereof shall not have been fulfilled to the Purchaser’s satisfaction, then the Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any other rights the Purchaser may have by reason of such failure or such non fulfillment.

### 3. CONDITIONS TO CLOSING

The Purchaser's obligation to purchase and pay for the Bonds is subject to the fulfillment to the Purchaser's satisfaction, prior to or at the Closing, of each of the following conditions precedent:

3.1. Representations and Warranties. The representations and warranties of the Issuer contained in this Agreement shall be correct in all material respects as at the date hereof and at the time of the Closing, and the Purchaser shall have received a certificate from the Issuer (in the form set out in Schedule 1) dated the Closing Date and signed by an authorized officer of the Issuer certifying as to the correctness of such representations and warranties as of the Closing Date.

3.2. Completion of Merger. The Merger shall have closed and the Merger Consideration shall have been delivered to an account designated by the Purchaser as contemplated in the Merger Agreement.

3.3. Documents to be Delivered. The Issuer shall have delivered to the Purchaser, on or prior to the Closing Date, (i) certified copy of the articles of incorporation and commercial registry of the Issuer, (ii) certified copy of resolutions of the Board of Directors of the Issuer relating to the issue of the Bonds and (iii) government and/or regulatory authorizations (including filing of a requisite report to the Issuer's designated foreign exchange bank).

3.4. Performance of Obligations. The Issuer shall have performed all of its obligations under this Agreement and the Merger Agreement to be performed on or before the Closing Date.

3.5. Absence of Adverse Changes. There shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Issuer and its consolidated subsidiaries and affiliate which, in the judgment of a Purchaser, is material and adverse and makes it impractical or inadvisable to proceed with completion of the issuance of the Bonds; (ii) any downgrading in the rating of any debt securities of the Issuer by any internationally recognized credit rating organization nor any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Issuer with negative implications of a possible downgrading, of such rating; (iii) any change in U.S., Korea, or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the judgment of a Purchaser, be likely to prejudice materially the success of the proposed issue of the Bonds, (iv) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange or Korea Exchange; (v) or any suspension of trading of any securities of the Issuer on any exchange or in the over-the-counter market; or (vi) any attack on, outbreak or escalation of hostilities or act of terrorism involving, the United States or Korea if, in the judgment of a Purchaser, the effect of any such attack, outbreak, escalation or act makes it impractical or inadvisable to proceed with completion of the issuance and sale of the Bonds.

### 4. REPRESENTATIONS AND WARRANTIES OF THE ISSUER.

As a condition of the obligation of the Purchaser to purchase and pay for the Bonds, the Issuer hereby represents, warrants and agrees as set forth below.

4.1. Incorporation. The Issuer is a corporation duly organized and validly existing under the laws of Korea and has all requisite corporate power and authority to own and operate its properties and to carry on its business as stipulated in its Articles of Incorporation. The Issuer is duly qualified to do business in those jurisdictions in which business is conducted by it.

4.2. Authorization. The Issuer has, by all necessary corporate action, duly authorized:

- (a) the execution and delivery of this Agreement and Terms and Conditions and the performance of its obligations hereunder and thereunder;
- (b) the offer and sale of the Bonds;

(c) the payments of principal, premium (if any) and interest in respect of the Bonds and the redemption of the Bonds each in accordance with the provisions of the Terms and Conditions; and

(d) the issue of the Common Shares in accordance with the provisions of the Terms and Conditions upon exercise by the Purchaser of the Conversion Right (the “**Conversion Shares**”).

4.3. Non-contravention. This Agreement, including the Terms and Conditions, Bonds and all documents executed pursuant hereto are valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject to the liquidation, bankruptcy, reorganization or composition of the Issuer pursuant to the Korean Commercial Code, the Korean Debtor Rehabilitation and Insolvency Act or other similar laws which generally affect creditors’ rights. The execution and delivery of this Agreement, the issue and distribution of the Bonds, the issue and delivery, upon conversion, of the Conversion Shares, and the performance of the terms contemplated hereby and thereby will not (i) violate, conflict with or result in a default under, any contract, obligation, understanding or undertaking to which the Issuer is a party or by which it or its assets are bound, or any provision of the Articles of Incorporation of the Issuer; or (ii) violate or result in a violation of, or constitute a default (whether after the giving of notice, lapse of time or both) under, any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or other governmental agency applicable to the Issuer.

4.4. Authorization of Common Shares. Upon issuance and delivery of the Bonds in accordance with this Agreement, the Bonds will be convertible at the option of the holders thereof for the Common Shares in accordance with the Terms and Conditions; the Conversion Shares have been duly and validly authorized and reserved for issuance upon conversion by all necessary corporate action of the Issuer, and such shares, when issued upon exercise of the Conversion Right in accordance with the Terms and Conditions, will be duly and validly issued and will be fully paid, non-assessable and freely transferable; and the issuance of such shares upon exercise of the Conversion Right in accordance with the Terms and Conditions will not be subject to preemptive or other similar rights of any security holder of the Issuer. The Issuer shall at all times reserve and keep available, free from preemptive rights and a third party interest (however arising), out of its authorized but unissued capital stock, for the purpose of effecting the conversion of Bonds upon exercise of the Conversion Right, the full number of Conversion Shares then issuable upon the conversion of the Bonds. Issuer represents and warrants that upon issuance of the Conversion Shares, that such shares will be freely transferable by the Purchasers and may be resold without any registration requirements and without Issuer’s consent.

4.5. Absence of Proceedings. There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, either in process or now pending or, to the best of the Issuer’s knowledge, threatened, against or affecting the Issuer, any of its officers or directors, or its consolidated subsidiaries and affiliates in their capacity as such or any of its property or assets which is likely to have a **Material Adverse Effect**. As used in this Agreement, the “**Material Adverse Effect**” means a material adverse effect on the properties, business, operations, earnings, assets, liabilities or financial condition or prospects of the Issuer or on the ability of the Issuer to perform its obligations under this Agreement (including the Terms and Conditions), the Merger Agreement or the Bonds.

4.6. Possession of Licenses and Permits. The Issuer possesses such permits, certificates, licenses, approvals, consents, orders and other authorizations (collectively, “**Governmental Licenses**”) issued by the appropriate national, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by it; the Issuer is in compliance with the terms and conditions of all such Governmental Licenses; all of the Governmental Licenses are valid and in full force and effect; and the Issuer has not received any notice of proceedings relating to the revocation, withdrawal, cancellation, modification, suspension or non-renewal of any such Governmental Licenses.

4.7. Governmental Consents; Exercise of Voting Rights, etc. None of the nature of the Issuer, nor any of its businesses, properties or assets, nor any relationship between the Issuer and any other person, nor any circumstance in connection with the execution and delivery of this Agreement, the offer, issue, sale or delivery of the Bonds and the Conversion Shares, the payments of principal, premium (if any) and interest in respect of the Bonds, the redemption of the Bonds or fulfillment of, or compliance with, the terms and provisions of this Agreement or of Terms and Conditions, is such as to require any consent, approval or authorization of, or any notice to, or filing, registration or qualification with, any court or

administrative or governmental body by or on behalf of the Issuer in connection therewith except for (1) the report to the Issuer's designated foreign exchange bank with respect to the issue of the Bonds; (2) a submission to a foreign exchange bank of documents required to verify that the amount being paid conforms to the amount required to be paid under the Bonds pursuant to the regulations under the Foreign Exchange Transaction Act, which will be required at the time of each payment by the Issuer under the Bonds; (3) the registration of the issuance of the Bonds with the Registry Office of the competent Korean court having jurisdiction over the head office of the Issuer within two weeks after the Closing Date; and (4) the registration of the issue of Common Shares with a competent Korean court having jurisdiction over the Issuer, which will be made within the period prescribed by applicable law from the issue of Common Shares on conversion of the Bonds. The Issuer covenants that it will timely comply with all such reporting, registration and other administrative obligations arising under applicable laws, rules and regulations.

4.8. Disclosure. The representations and warranties of the Issuer set forth in the Merger Agreement are incorporated herein by reference and are deemed to be made directly to the Purchaser pursuant to this Agreement. Neither this Agreement nor the other documents, certificates, instruments or reports delivered to the Purchaser under this Agreement or made available to the Purchasers, including, without limitation, the Wisepower Reports, when taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

#### 4.9 Reports.

(a) The Issuer has timely filed or delivered, as applicable, all required forms, reports and documents (the "**Wisepower Reports**") with the Financial Supervisory Services ("**FSS**") and/or the Korea Exchange ("**KRX**") since Issuer's initial public offering, each of which has complied in all material respects with all applicable requirements relating to securities laws, including, but not limited to, the Financial Investment Services and Capital Markets Act, each as in effect on the dates such forms, reports and documents were filed or delivered. No subsidiary of Issuer has filed, or is required to file, any form, report or other document with the FSS or KRX. As of their respective dates, the Wisepower Reports did not at the time they were filed (or if amended or superseded by a filing, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent corrected by a subsequently filed Wisepower Report that was filed prior to the execution of the Merger Agreement.

(b) Each of the financial statements (including, in each case, any related notes thereto) contained in the Wisepower Reports: (i) complied as to form in all material respects with the published rules and regulations of FSS and KRX with respect thereto; (ii) was prepared in accordance with Korean GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto); and (iii) fairly presented in all material respects the financial position of Issuer and its subsidiaries, taken as a whole, as at the respective dates thereof and the results of Issuer's operations and cash flows for the periods indicated, except that the unaudited interim financial statements may not contain footnotes and were or are subject to normal and recurring year end adjustments, none of which will be material in nature or amount.

## 5. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to Issuer as follows:

5.1. Making of Representations and Warranties. As a material inducement to the Issuer to enter into this Agreement and to consummate the transactions contemplated hereby, the Purchaser hereby makes to the Issuer the representations and warranties contained in this Article 5.

5.2. Organization and Existing. The Purchaser is duly organized and validly existing under the laws of its Delaware, with all requisite powers and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

5.3. Authorization and Non-Contravention. The execution, delivery and performance of this Agreement and all agreements, documents and instruments contemplated hereby have been duly authorized by all necessary corporate or other action of the Purchaser. The execution by the Purchaser of this Agreement and the performance of any transaction contemplated hereby will not (i) violate, conflict with or result in a default under any material contract or obligation to which the Purchaser is a party or by which it or its assets are bound, or any provision of the organizational documents of the Purchaser; (ii) violate or result in a material violation of, or constitute a default (whether after the giving of notice, lapse of time or both) under, any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or other governmental agency applicable to the Purchaser; or (iii) accelerate any obligation under, or give rise to a right of termination of, any material agreement, permit, license or authorization to which the Purchaser is a party or by which the Purchaser is bound.

5.4. Korean Selling Restriction. The Purchaser acknowledges that the Issuer has not filed a registration statement with the Financial Services Commission in Korea and further acknowledges and agrees that the Bonds may not be offered, sold or otherwise transferred to a Korean resident (as such term is defined in the Foreign Exchange Transaction Act of Korea) on or prior to January 17, 2012, the first anniversary of the date of issue of the Bonds. The Purchaser further undertakes and agrees that, in case it sells, transfers, assigns or otherwise disposes of any of the Bonds to a non-resident in Korea during the one year period from January 17, 2012, it will acquire a written consent from such non-resident in the form under which the non-resident agrees and undertakes to comply with the restriction set forth in this Section 5.4.

## **6. RESPONSIBILITY FOR REALES**

The Issuer shall not have any responsibility in respect of the legality of the Purchaser or other persons reselling the Bonds in any jurisdiction or in respect of the Bonds qualifying for resale in any jurisdiction. This Section 6 shall not modify or limit the representation set forth in Section 4.4.

## **7. CONFIDENTIAL TREATMENT**

The Purchaser agrees that any confidential or proprietary information concerning the Issuer obtained by the Purchaser under this Agreement or other documents relating thereto or which is or was designated by the Issuer in writing as confidential, shall be treated confidentially by the Purchaser for a period of one year from disclosure, except to the extent disclosure is required by law or legal process or under any regulatory requirement or such disclosure is necessary for the resale of the Bonds or the Conversion Shares by the Purchaser, or such disclosure is necessary under the Purchaser's current reorganization scheme, or the information becomes public through no breach of obligation by the Purchaser. The Issuer represents and warrants that it has not provided any Purchaser with material non-public information relating to the Issuer or its operations.

## **8. ADVERSE CHANGES**

During the term of the Bonds, the Issuer will promptly, and in any event within three business days, notify the Purchaser if it determines that there was any material breach of the representations and warranties contained herein as of the Closing. At the written request of the Purchaser, the Issuer will without delay advise the Purchaser of any event which represents a material adverse change in the condition or business, financial or otherwise, of the Issuer or its consolidated subsidiaries or affiliates, and of each suit or proceeding commenced or threatened against the Issuer or its consolidated subsidiaries or affiliates which, if adversely determined, could result in such a Material Adverse Effect.

## **9. EXPENSES**

All costs and expenses regarding the issuance of the Bonds shall be paid by the Issuer, except that all costs and expenses of the Purchaser in preparing, negotiating and delivering this Agreement and the documents to be delivered in accordance herewith, including the fees and expenses of the Purchaser's counsel (if any), shall be paid by the Purchaser.

## 10. SURVIVAL; INDEMNIFICATION

10.1. Survival of Representations, Warranties, Etc. All express representations and warranties contained in this Agreement or made in writing by or on behalf of the Issuer in connection with the transactions contemplated by this Agreement shall survive the execution and delivery or termination of this Agreement, any investigation at any time made by the Purchaser or on the Purchaser's behalf, the purchase of the Bonds hereunder, any disposition or payment of the Bonds or any conversion of the Bonds.

10.2. Indemnification by the Issuer. The Issuer agrees to indemnify and hold harmless the Purchaser and its officers, directors, partners, employees and agents (individually, an "Indemnified Person" and collectively, the "Indemnified Persons"), from and against and in respect of all losses, liabilities, obligations, damages, deficiencies, actions, suits, proceedings, demands, assessments, orders, judgments, fines, penalties, costs and expenses (including the reasonable fees, disbursements and expenses of attorneys, accountants and consultants) of any kind or nature whatsoever (whether or not arising out of third-party claims and including all amounts paid in investigation, defense or settlement of the foregoing) sustained, suffered or incurred by or made against any Indemnified Person arising out of, based upon or in connection with the fraud, intentional misrepresentation, willful misconduct or negligence by the Issuer or any matter which is known by the Issuer to constitute a breach, of any of representations, warranties or covenants under this Agreement. Each Indemnified Person shall give prompt notice to the Issuer of any action commenced against it in respect of which indemnity may be sought under this Agreement. The Issuer may participate at its own expense in the defense of the action. If it so elects within a reasonable time after receipt of the notice, the Issuer may assume the defense of the action with legal advisors chosen by it, unless the Indemnified Person reasonably objects to the assumption on the ground that there may be legal defenses available to it which are different from or in addition to those available to the Issuer. If the Issuer assumes the defenses of the action, the Issuer shall not be liable for any fees and expenses of the legal advisors of the Indemnified Person incurred thereafter in connection with the action. In no event shall the Issuer be liable for the fees and expenses of more than one legal advisor or firm of legal advisors of the Indemnified Person in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. The Issuer shall not be liable to indemnify any Indemnified Person for any settlement of any such action effected without the consent of the Issuer.

## 11. NOTICES

All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Agreement shall be in writing, in English and shall be hand delivered, sent by reputable overnight courier service, or transmitted by facsimile, addressed if the Purchasers, to the respective addresses set forth on Schedule A and, if to the Issuer, to the following address:

Wisepower Co., Ltd.  
5th Floor, Ace Techno Tower, 55-7 Mullae-3Ga,  
Youngdeungpo, Seoul, Korea  
Facsimile: 82-2-2637-7594  
Attn: Gi Ho Park

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed, or faxed in the manner described above, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt or delivery receipt, as applicable) or at such time as delivery is refused by the addressee upon presentation.

## 12. GOVERNING LAW AND JURISDICTION.

12.1. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Republic of Korea.

12.2. Dispute Resolution. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (the “ICC”) by one or more arbitrators appointed in accordance with the said Rules, with such arbitration proceeding (a “Proceeding”) to be conducted in the English language in Los Angeles, California. The Issuer and the Purchaser irrevocably waive any objection that it might now or hereafter have to the exclusive jurisdiction of the ICC. Notwithstanding the foregoing, any party hereto may seek equitable relief hereunder in a court of competent jurisdiction. Notwithstanding Section 19.2 of the Terms and Conditions, Issuer and Purchaser agree to resolve any disputes between Issuer and Purchaser arising under or relating to the Bonds pursuant to this Section 12.2.

12.3. Consent to Enforcement etc. The Issuer and the Purchaser consent generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the entry, making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

12.4. Waiver of Immunity. To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives, or has waived, such immunity to the full extent permitted by the laws of such jurisdiction.

### 13. MISCELLANEOUS

13.1. Time shall be of the essence in this Agreement.

13.2. The heading to each Section is included for convenience only and shall not affect the construction of this Agreement.

13.3. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

13.4 No Waiver; Cumulative Remedies. No failure or delay on the part of any party to this Agreement in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

13.5 Entire Agreement. This Agreement, including the Terms and Conditions, the Bonds and all exhibits hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede any and all prior negotiations, correspondence, agreements, understandings duties or obligations between the parties with respect to the subject matter hereof.

13.6 Further Assurances. From and after the date of this Agreement, upon the request of any Purchaser or the Issuer, the Issuer and the Purchasers shall execute and deliver such instruments, documents or other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

13.7 Event of Default. In the event that a default is made in any material respect by the Issuer in the performance or observance of any covenant, condition, provision contained in this Agreement or the Merger Agreement, that will constitute an Event of Default, as described in the Terms and Conditions.

13.8 Collection Expenses. The Issuer agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees, incurred by the Purchaser in endeavoring to collect any amounts payable hereunder which are not paid when due ("Costs").

\* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

**WISEPOWER CO., LTD.**

By: /s/ Gi Ho Park

Name: Gi Ho Park

Title: CEO

Arrowhead Research Corporation

By: /s/ Christopher Anzalone

Name: Christopher Anzalone

Title: CEO

THE SPECIFIED OFFICE OF THE COMPANY

5th Floor, Ace Techno Tower, 55-7 Mullaee-3Ga, Youngdeungpo, Seoul, Korea

(Terms and Conditions will be attached)

## EXHIBIT A

### TERMS AND CONDITIONS OF THE BONDS

The issue of the \$ 2,500,000 Convertible Bonds due January 17, 2014 (the “**Bonds**”) of Wisepower Co., Ltd. (the “**Company**”) was authorized by resolutions of the Board of Directors of the Company passed on January \_\_, 2011. The Bonds are constituted by these Terms and Conditions (the “**Terms and Conditions**”) and the Bond Purchase Agreement dated January 17, 2011 (the “**Purchase Agreement**”). Copies of this Terms and Conditions are available for inspection by the Bondholders (as defined hereinbelow) during the normal business hours at the specified office of the Company. All Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Terms and Conditions. Capitalized terms that are not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

#### 1. STATUS, FORM, DENOMINATION, TITLE, TRANSFER OF BONDS AND ISSUE OF CERTIFICATES

##### 1.1. Status

The Bonds constitute direct, unconditional and unsubordinated (subject to the provisions of Condition 2) obligations of the Company and rank *pari passu* among themselves and (subject as aforesaid and other than any obligations preferred by mandatory provisions of law) with all other present and future direct and unsubordinated obligations of the Company.

##### 1.2. Form and Denomination

The Bonds are issued in registered form in the denomination of US \$2,500,000 and integral multiples thereof. The Bondholder may at its discretion exchange a certificate representing the Bonds the form of which is set out in Schedule 1 (the “**Certificate**”) in the denomination of an integral multiple of US \$2,500,000 for certificates in a smaller integral multiples thereof at any time thereafter, and the Company will issue or cause to be issued such certificates in accordance with Condition 1.5. Each Certificate will have the name of the Bondholder and a unique identifying number, which will be recorded in the register of Bondholders (the “**Register of Bondholders**”) to be kept by the Company, and which will be open to inspection by the Bondholders at the Company’s offices during normal working hours.

##### 1.3. Title

Title to the Bonds passes by delivery of Certificate (which will be done following the entry of the name of the Bondholder on the Register of Bondholders) and, if applicable, recording the name of the transferee of the Bonds on the relevant new Certificate. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” or “**Holder(s)**” means the person(s) in whose name a Bond is registered in the Register of Bondholders.

##### 1.4. Exchange and Transfers

A Certificate may be exchanged with Certificates in a smaller denomination by depositing the Certificate, together with a written request thereof, at the specified office of the Company as set forth in the Certificate. A Bond may also be transferred by depositing the Certificate issued in respect of that Bond, together with the Form of Transfer (in the form set out in Schedule 2) duly completed and signed, at the specified office of the Company as set forth in the Certificate.

##### 1.5. Delivery of New Certificates

Each new Certificate to be issued upon the exchange request of the Bondholder or upon a transfer of Bonds in accordance with the Condition 1.4 will, within 5 business days of receipt by the Company, as the case may be, of the written request for the exchange or the Form of Transfer together with the relevant Certificate, be mailed by reputable international courier service to the address of such holder of the Bonds appearing on the Register of Bondholders. For the purpose of this Condition 1.5, "business day" shall mean a day on which banks are open for business in Seoul. Where only some of the Bonds in respect of which a Certificate is issued are to be transferred or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within 5 business days of deposit of the Form of Transfer or Conversion Notice, as the case may be, and the surrender of the original Certificate, with or to the Company, be mailed by reputable international courier service to the address in the Register of Bondholders of such transferring or converting holder of the Bonds.

#### 1.6. Formalities Free of Charge

The exchange of Certificates and the transfer of Bonds will be effected without charge by or on behalf of the Company.

#### 1.7. Closed Periods

No Bondholder may require the exchange of Certificates or the transfer of a Bond to be registered (i) during the period of seven (7) days ending on and including the Principal Record Date (as defined in Condition 5); (ii) after the Certificate in respect of such Bond has been deposited for conversion pursuant to Condition 4; or (iii) during the period of seven (7) days ending on and including any Interest Record Date (as defined in Condition 5).

### 2. NEGATIVE PLEDGE

Without the prior written consent of the Required Holder(s) (as defined hereinafter), so long as any of the Bonds remain outstanding, the Company will not create or permit to be outstanding any mortgage, charge, pledge or other security interest upon the whole or any material part of its property, assets or revenues, present or future, to secure for the benefit of the holders of any Investment Securities (i) payment of any sum owing in respect of any such Investment Securities, (ii) any payment under any guarantee or other like obligation of any such Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such Investment Securities.

As used in these Terms and Conditions, "**Required Holder(s)**" shall mean at any time the holder(s) of the Bonds holding in aggregate of more than 66.66% in principal amount of the Bonds then outstanding.

As used in this Condition, "**Investment Securities**" means bonds, debentures, notes, indebtedness for borrowed money or investment securities of the Company or any other person in an aggregate amount exceeding US \$25,000,000.

### 3. INTEREST

#### 3.1. Payment of Interest

The Bonds bear no interest (0%), except as set forth below in Condition 3.2.

#### 3.2. Default Interest

If there shall be an Event of Default (defined below), then interest shall thereafter accrue on the outstanding principal amount due under the Bonds at a rate equal to the lesser of 18% per annum, compounded monthly, or the maximum rate permitted by applicable law. Interest shall continue to accrue until the earlier of (i) the Event of Default is cured, if such cure is possible, or (ii) repayment or conversion of the Bonds.

## 4. CONVERSION

### 4.1. Period and Price for Conversion

The right of a Bondholder to convert any Bond into shares of common stock, par value Won 100 (“**Common Shares**”), of the Company is hereinafter called the “**Conversion Right**”. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised at the option of the holder thereof, at any time commencing on January 17, 2012 and ending on the earlier of: (a) repayment in full of the Bond, or (b) January 17, 2014 (the “**Conversion Period**”). The number of Common Shares to be issued will be determined by dividing the principal amount of the Bonds deposited for conversion by the Conversion Price of U.S. Dollars \$2.00, subject to adjustment as set forth in Condition 4.3. By way of example only, if the Holder wished to convert \$100 of indebtedness hereunder, that would result in the issuance of 50 Common Shares (subject to any appropriate adjustment of the conversion ratio).

If more than one Bond shall be deposited for conversion at any one time by the same holder and Common Shares to be issued on such conversion are to be issued to the same person, the number of Common Shares to be issued upon conversion thereof will be calculated on the basis of the aggregate principal amount of the Bonds to be converted. Fractions of Common Shares will not be issued on conversion but upon conversion of the Bonds, the Company will pay in cash in U.S. dollar a sum equal to such portion of the principal amount of the Bond or Bonds deposited for conversion as corresponds to any amount of Common Shares not issued as aforesaid.

The price at which Common Shares will be issued upon conversion (the “**Conversion Price**”) will initially be U.S. Dollars \$2.00 per Common Share, but will be subject to adjustment in the manner provided in Condition 4.3.

### 4.2. Procedure for Conversion

To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deliver at his own expense at the specified office of the Company at which the Bond is deposited for conversion a notice of conversion (a “**Conversion Notice**”) in duplicate in the form (for the time being current) set out in Schedule 3 obtainable from the specified office of the Company, together with the relevant Certificate(s).

The name of the specified office of the Company is set out at the end of the Form of Certificate of Bonds.

As conditions precedent to the conversion, the Bondholder must pay to the Company all stamp, issue, registration or similar taxes and duties (if any) arising on conversion in any jurisdiction in which the Bond is deposited for conversion or payable in any jurisdiction consequent upon the issue or delivery of Common Shares or any other securities, property or cash to or to the order of a person other than the converting Bondholder, other than any taxes or duties payable in Korea by the Company in respect of the issue of Common Shares on conversion. Except as aforesaid, the Company will pay the expenses arising on the issue of Common Shares on conversion of the Bonds and all charges in connection therewith. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto are deposited with the Company or, if later, the date on which all conditions precedent to the conversion thereof are fulfilled is hereinafter referred to as the “**Conversion Date**” applicable to such Bonds. A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Company.

With effect from the Conversion Date, the Company will deem the converting Bondholder to have become the holder of record of the number of Common Shares to be issued to such Holder upon such conversion (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective). Thereafter the Company will, subject to any applicable limitations then imposed by Korean laws and regulations, according to the request made in the relevant Conversion Notice, cause the share transfer agent of the Company as soon as practicable, and in any event within 15 business days after the Conversion Date, either (i) to deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice

at the specified office in Seoul for the time being of the share transfer agent of the Company a certificate or certificates for the relevant Common Shares registered in the name of the converting Bondholder or, in cases permitted under Korean law, any other person named for that purpose in the relevant Conversion Notice, together with any other securities, property or cash (including, without limitation, cash payable pursuant to paragraph 4.1 of this Condition) required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, or (ii) to register Korea Securities Depository (or its successor organization) as holder of the relevant number of Common Shares in the Company's shareholders' register and cause Korea Securities Depository (or its successor organization) to credit such Common Shares to the deposit account of the custodian designated by the converting Bondholder in the relevant Conversion Notice, together with any other securities, property or cash (including, without limitation, cash payable pursuant to this Condition) required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

Any dividend on the Common Shares issued upon conversion of a Bond or Bonds in respect of the Dividend Accrual Period during which the relevant Conversion Date falls will be paid with respect to the full Dividend Accrual Period on the basis that the conversion took effect immediately before the beginning of such Dividend Accrual Period. No payment or adjustment will be made on conversion for any interest accrued on converted Bonds since the Interest Payment Date last preceding the relevant Conversion Date. The Common Shares issued upon conversion of the Bonds will in all other respects rank *pari passu* with the Common Shares in issue on the relevant Conversion Date (except for any right the record date for which precedes such Conversion Date and any other right excluded by mandatory provisions of applicable law). A "**Dividend Accrual Period**" means an annual period ending on December 31 in any year.

#### 4.3. Adjustment of Conversion Price

The Conversion Price with respect to the Common Shares shall be subject to adjustment as follows:

##### 4.3.1. Free Distribution, Sub-division, Consolidation or Reclassification of Shares.

If the Company shall make a free distribution of Shares, sub-divide any of its outstanding Shares, consolidate any of its outstanding Shares into a smaller number of Shares, or re-classify any of its Shares into other securities of the Company, then the following provisions shall apply:

###### (1) Adjustment

the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Conversion Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 4.3.1, shall be entitled to receive the number of Common Shares and/or other securities of the Company which he would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such free distribution or Shares or other securities issued upon any such sub-division, consolidation or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such Record Date) or any time thereafter; and

###### (2) Effective Date of Adjustment

an adjustment made pursuant to this Condition 4.3.1 shall become effective immediately on the relevant event referred to above becoming effective or, if a Record Date is fixed therefor, immediately after such Record Date; provided that in case where the relevant event referred to above, under applicable Korean Law, requires to be approved by a general meeting of shareholders of the Company or a meeting of the Board of Directors of the Company before being legally made, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such Record Date.

As used in this Terms and Conditions, the “**Shares**” means (i) Common Shares, save to the extent that the context indicates otherwise, (ii) shares of the class of share capital of the Company, which, at the date of the Terms and Conditions, is designated as non-voting shares of the Company, together with shares of any class or classes resulting from any sub-division, consolidation or re-classification thereof, and (iii) fully-paid and non-assessable shares of any class or classes of the share capital of the Company authorized after the date of the Terms and Conditions which have no preference in respect of dividends (and, for the avoidance of doubt, any other class of non-voting shares which have a right to an increased dividend or a preferential right as to a proportion thereof, do not have a preference in respect of dividends for this purpose) or of amounts payable in the event of any voluntary or involuntary liquidation or winding-up of the Company;

#### 4.3.2. Declaration of Dividends in Shares

If the Company shall declare a dividend in Shares, then the following provisions shall apply:

##### (1) Adjustment

the Conversion Price effective on the date when such dividend is declared (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive such dividend, on such Record Date) shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment (stated in U.S. Dollars)

OCP = the Conversion Price before such adjustment (stated in U.S. Dollars)

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the time of declaration of such dividend (or at the close of business in Korea on such Record Date as the case may be)

n = the number of Shares to be distributed to the Shareholders as a dividend

v = aggregate par value of such Shares to be distributed to the shareholders as a dividend, divided by the Current Market Price per Share on the date of declaration of such dividend (or, if a prior Record Date has been fixed as aforesaid, such Record Date); and

##### (2) Effective Date of Adjustment

an adjustment made pursuant to this Condition 4.3.2 shall become effective as provided with respect to Condition 4.3.1(2); provided that if a dividend in Shares must, under applicable Korean law, be submitted for approval to a general meeting of shareholders of the Company before being legally paid, and if such approval is given after the Record Date fixed for the determination of shareholders entitled to receive such dividend, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such Record Date.

#### 4.3.3. Concurrent Adjustment Events

If the Company shall declare a dividend in, or make a free distribution of, Shares which dividend or distribution is to be paid or made to shareholders as of a Record Date which is also:

a) the Record Date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 4.3.4, 4.3.5 or 4.3.6 below;

b) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 4.3.8 below;

c) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 4.3.9 below; or

d) the day immediately before the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 4.3.10 below,

then (except where such dividend or free distribution gives rise to a retroactive adjustment of the Conversion Price under Condition 4.3.1 or 4.3.2) no adjustment of the Conversion Price in respect of such dividend or free distribution shall be made under Condition 4.3.1 or 4.3.2, but in lieu thereof an adjustment shall be made under Condition 4.3.4, 4.3.5, 4.3.6, 4.3.8, 4.3.9 or 4.3.10 below (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend or free distribution and, in the case of such dividend, including in the numerator of the fraction described therein the a number equal to the aggregate par value of Shares to be so distributed, divided by the Current Market Price per Share (determined in accordance with Condition 4.3.11).

#### 4.3.4. Rights Issues to Shareholders

If the Company shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares:

(x) at a consideration per Share receivable by the Company which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share at such Record Date; or

(y) at a consideration per Share receivable by the Company which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date the Company fixes the said consideration, then the following provisions shall apply:

##### (1) Adjustment

the Conversion Price in effect (in a case within (x) above) on the Record Date for the determination of shareholders entitled to receive such rights or (in a case within (y) above) on the date the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea (in a case within (x) above) on such Record Date or (in a case within (y) above) on the date the Company fixes the said consideration

n = the number of Shares issuable upon exercise of such rights at the said consideration

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12) would purchase at such Current Market Price per Share specified in (x) or, as the case may be, (y) above;

(2) Effective Date of Adjustment

such adjustment shall become effective (in a case falling under (x) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or (in a case falling under (y) above) immediately after the Company fixes the said consideration but retroactively to immediately after the Record Date mentioned above;

(3) Rights not taken up by Shareholders

if, in connection with a grant, issue or offer to the holders of Shares of rights entitling them to subscribe for or purchase Shares, any Shares which are not subscribed for or purchased by the persons entitled thereto are offered to and/or subscribed by others, no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription.

(4) Issues to Employees

for the avoidance of doubt, if any warrants which would otherwise be the subject of this Condition 4.3.4, are issued to existing employees of the Company in their capacity as employees in accordance with mandatory provisions of Korean law, then such warrants shall not be taken into account for the purposes of the adjustment of the Conversion Price pursuant to this Condition 4.3.4, *provided, however*, that the foregoing exception shall only apply for the issuance of a cumulative total of up to 2% of the Company common stock then outstanding, after which any additional issuances to employees under mandatory provisions of Korean law shall be treated as issuances that result in Conversion Price adjustments under Condition 4.3.

4.3.5. Warrants Issued to Shareholders

If the Company shall grant, issue or offer to the holders of Shares warrants entitling them to subscribe for or purchase Shares:

(x) at a consideration per Share receivable by the Company which is fixed on or prior to the Record Date for the determination of shareholders entitled to receive such warrants and is less than the Current Market Price per Share at such Record Date; or

(y) at a consideration per Share receivable by the Company which is fixed after the Record Date mentioned above and is less than the Current Market Price per Share on the date the Company fixes the said consideration, then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect (in a case within (x) above) on the Record Date for the determination of shareholders entitled to receive such warrants or (in a case within (y) above) on the date the Company fixes the said consideration, shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea (in a case within (x) above) on such Record Date or (in a case within (y) above) on the date the Company fixes the said consideration

n = the number of Shares issuable upon exercise of such warrants at the said consideration

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12) would purchase at such Current Market Price per Share specified in (x) or, as the case may be, (y) above;

(2) Effective Date of Adjustment

such adjustment shall become effective (in a case falling under (x) above) immediately after the Record Date for the determination of shareholders entitled to receive such warrants or (in a case falling under (y) above) immediately after the Company fixes the said consideration but retroactively to immediately after the Record Date mentioned above;

(3) Warrants not taken up by Shareholders

if, in connection with a grant, issue or offer to the holders of Shares of warrants entitling them to subscribe for or purchase Shares, any Shares which are not subscribed for or purchased by the persons entitled thereto are offered to and/or subscribed by others, no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription.

(4) Issues to Employees

for the avoidance of doubt, if any warrants which would otherwise be the subject of this Condition 4.3.5, are issued to existing employees of the Company in their capacity as employees in accordance with mandatory provisions of Korean law, then such warrants shall not be taken into account for the purposes of the adjustment of the Conversion Price pursuant to this Condition 4.3.5, *provided, however*, that the foregoing exception shall only apply for the issuance of a cumulative total of up to 2% of the Company common stock then outstanding, after which any additional issuances to employees under mandatory provisions of Korean law shall be treated as issuances that result in Conversion Price adjustments under Condition 4.3.

4.3.6. Issues of Rights or Warrants for Convertible or Exchangeable Securities to Shareholders

If the Company shall grant, issue or offer to the holders of Shares rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares:

(x) at a consideration per Share receivable by the Company which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share at such Record Date; or

(y) at a consideration per Share receivable by the Company which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date the Company fixes the said consideration, then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect (in a case within (x) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (y) above) on the date the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea (in a case within (x) above) on such Record Date or (in a case within (y) above) on the date the Company fixes the said consideration

n = the number of Shares issuable upon exercise of such rights or warrants or conversion or exchange of such convertible or exchangeable securities at the said consideration

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12 below) would purchase at such Current Market Price per Share specified in (x) or, as the case may be, (y) above;

(2) Effective Date of Adjustment

such adjustment shall become effective (in a case falling under (x) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case falling under (y) above) immediately after the Company fixes the said consideration but retroactively to immediately after the Record Date mentioned above;

(3) Rights or Warrants not taken up by Shareholders

if, in connection with a grant, issue or offer to the holders of Shares of rights or warrants entitling them to subscribe for or purchase Shares, any Shares which are not subscribed for or purchased by the persons entitled thereto are offered to and/or subscribed by others, no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription.

4.3.7. Other distributions to Shareholders

If the Company shall distribute to the holders of Shares evidences of its indebtedness, shares of capital stock of the Company (other than Shares), assets or rights or warrants to subscribe for or purchase shares or securities (excluding those rights and warrants referred to in Conditions 4.3.4, 4.3.5 and 4.3.6 above), then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution

fmv = the per-Share fair market value (as determined by the Company or, if pursuant to applicable Korean law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the evidence of indebtedness, shares, assets, rights or warrants so distributed, less any consideration payable per Share for the same

In making a determination of the fair market value of any such rights or warrants, the Company shall consult a leading independent securities company or bank in Seoul selected by the

Company and approved by the Required Holder(s) and shall take fully into account the advice received from such company or bank;

(2) Effective Date of Adjustment

such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution, provided that (a) in the case of such a distribution which must, under applicable Korean law, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the Board of Directors of the Company before such distribution may legally be made and is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date; and

(3) Issues to Employees

for the avoidance of doubt, if any warrants which would otherwise be the subject of this Condition 4.3.7, are issued to existing employees of the Company in their capacity as employees in accordance with mandatory provisions of Korean law, then such warrants shall not be taken into account for the purposes of the adjustment of the Conversion Price pursuant to this Condition 4.3.7, *provided, however*, that the foregoing exception shall only apply for the issuance of a cumulative total of up to 2% of the Company common stock then outstanding, after which any additional issuances to employees under mandatory provisions of Korean law shall be treated as issuances that result in Conversion Price adjustments under Condition 4.3.

4.3.8. Issue of convertible or exchangeable securities

If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Bonds or in any of the circumstances described in Condition 4.3.6 above and Condition 4.3.10 below) and the consideration per Share receivable by the Company shall be less than the Current Market Price per Share on the date in Korea on which the Company fixes the said consideration (or, if the issue of such securities is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea on the day immediately prior to the date of such issue

n = the number of Shares issuable upon conversion or exchange of such convertible or exchangeable securities at the applicable conversion or exchange price or rate

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12 below) would purchase at such Current Market Price per Share; and

(2) Effective Date of Adjustment

such adjustment shall become effective upon the issuance of such convertible or exchangeable securities (without regard to their subsequent conversion or exchange).

4.3.9. Other issues of Shares

If the Company shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities issued by the Company or upon exercise of any rights or warrants granted, offered or issued by the Company or in any of the circumstances described in Conditions 4.3.1 and 4.3.2 above or issued to shareholders of any company which merges with the Company in proportion to their shareholdings in such company immediately prior to such merger, upon such merger) for a consideration per Share receivable by the Company less than the Current Market Price per Share on the date in Korea on which the Company fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect immediately prior to the date of issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea on the day immediately prior to the date of issue of such additional Shares

n = the number of additional Shares issued as aforesaid

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12 below) would purchase at such Current Market Price per Share; and

(2) Effective Date of Adjustment

such adjustment shall become effective as of the calendar day in Korea of the issue of such additional Shares.

(3) Issues to Employees.

for the avoidance of doubt, if any warrants which would otherwise be the subject of this Condition 4.3.9, are issued to existing employees of the Company in their capacity as employees in accordance with mandatory provisions of Korean law, then such warrants shall not be taken into account for the purposes of the adjustment of the Conversion Price pursuant to this Condition 4.3.9, *provided, however*, that the foregoing exception shall only apply for the issuance of a cumulative total of up to 2% of the Company common stock then outstanding, after which any additional issuances to employees under mandatory provisions of Korean law shall be treated as issuances that result in Conversion Price adjustments under Condition 4.3.

4.3.10. Issue of Rights or Warrants for Shares or Convertible or Exchangeable Securities other than to Shareholders

If the Company shall grant, issue or offer rights or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company shall be less than the Current Market Price per Share on the date in Korea on which the Company fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the following provisions shall apply:

(1) Adjustment

the Conversion Price in effect immediately prior to the date of issue of such rights or warrants shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 4.3.2 above

N = the number of Shares outstanding (having regard to Condition 4.3.13 below) at the close of business in Korea on the day immediately prior to the date of such issue

n = the number of Shares issuable upon exercise of such rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities at the said consideration

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 4.3.12 below) would purchase at such Current Market Price per Share; and

(2) Effective Date of Adjustment

such adjustment shall become effective as of the calendar day in Korea corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

4.3.11. Current Market Price per Share

For the purposes of this Condition 4.3, the “**Current Market Price**” and “**Current Market Price per Share**” on any date shall be deemed to be the average of the daily closing prices of the Common Shares for the 30 consecutive trading days commencing 45 trading days before such date. The closing price of the Shares for each trading day shall be the last reported selling price of the Shares on the Korea Exchange, or other principal stock exchange on which the Common Shares are then traded (the “**KRX**”) for such day or, if no sale takes place on such day, the average of the closing bid and offered price of the Shares on the KRX or, if the Shares are not listed or admitted to trading on such exchange, the average of the closing bid and offered price of Shares for such day as furnished by an independent member firm of the KRX selected from time to time by the Company and approved by the Required Holder(s) for the purpose. This Condition 4.3.11 shall be subject to the following provisions. For the purposes of this Condition 4.3.11., the term “**trading day**” means a day when the KRX is open for business, but does not include a day when (a) no such last selling price or closing bid and offered prices is/are reported and (b) (if the Shares are not listed or admitted to trading on such exchange) no such closing bid and offered prices are furnished as aforesaid. If during the said 45 trading days or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment to the Conversion Price under the provisions of this Condition 4.3, then the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as a leading independent securities company or bank in Seoul selected by the Company and approved by the Required Holder(s) shall deem appropriate and fair to compensate for the effect thereof.

#### 4.3.12. Consideration Receivable by the Company

For the purposes of any calculation of the consideration per Share, or the aggregate consideration, receivable by the Company pursuant to Conditions 4.3.4, 4.3.5, 4.3.6, 4.3.8, 4.3.9 and 4.3.10 above, the following provisions shall be applicable:

(A) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any customary commissions or any reasonable expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(B) in the case of the issue of Shares for consideration other than cash, such non-cash consideration shall be valued at the fair value thereof, as reasonably determined by the Company in good faith (and in making such determination the Company shall consult a leading independent securities company or bank in Seoul selected by the Company and shall take fully into account the advice received from such company or bank) or, if pursuant to applicable Korean law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

A. in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the subscription or purchase price (the consideration in each case to be determined in the same manner as provided in Condition 4.3.12 (A) and 4.3.12 (B) above) and the Consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares issuable upon (and assuming) such conversion or exchange at the applicable conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the applicable subscription or purchase;

B. in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants, plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the applicable subscription or purchase price (the consideration in each case to be determined in the same manner as provided in Condition 4.3.12 (A) and 4.3.12 (B) above) and the Consideration per Share receivable by the Company shall be such aggregate consideration, divided by the number of Shares issuable upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price; and

(C) if any of the consideration referred to in any of the preceding sub-Conditions of this Condition 4.3.12 is receivable in a currency other than Won at a time when the Current Market Price per Share is stated in Won, then the value of such consideration shall (in any case where there is a fixed rate of exchange between the Won and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants) be converted into Won for the purposes of this Condition 4.3.12 at such fixed rate of exchange and shall (in all other cases) be converted into Won at the market average exchange rate between Won and the relevant currency (being announcements for the cross rate through dollars if no direct exchange rate is announced) announced by Korea Financial Telecommunications & Clearings Institute for buying and selling units of the relevant currency against Won on the date as of which the said consideration is required to be calculated as aforesaid. If the Current Market Price per Share is stated in a different currency (e.g., U.S. Dollars), then the value of the consideration shall be stated in the same currency. For the avoidance of doubt, the Conversion Price shall be stated in U.S. Dollars at all times, even if the consideration and Current Market Price per Share are to be stated in Won.

#### 4.3.13. Cumulative Adjustments

If, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 4.3.4, 4.3.5, 4.3.6, 4.3.8, 4.3.9 and 4.3.10 above, the Conversion Price already incorporates an adjustment made (or taken or to be taken into account pursuant to the proviso to Condition 4.3.14 below) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares taken into account for the purposes of calculating such adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purpose of making such computation.

#### 4.3.14. Minor Adjustments

No adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease in such price of at least \$0.01 ; provided that any adjustment which by reason of this Condition 4.3.14 is not required to be made shall be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this Condition 4.3.14) in any subsequent adjustment and upon the conversion of the Bond. All calculations under this Condition 4.3 shall, as applicable, be made to the nearest Won with half or more of a Won to be considered one Won, or to the nearest cent (\$0.01), with half or more of one cent to be considered one cent.

#### 4.3.15. Minimum Conversion Price

Notwithstanding the provisions of this sub-Condition, the Conversion Price shall not be reduced below the par value of the Common Shares (Won 100 at the date hereof) as a result of any adjustment made hereunder unless under applicable law then in effect Bonds may be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

#### 4.3.16. Reference to “fixed”

Any reference herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

#### 4.3.17. Simultaneous Issues of Different Classes of Shares

In the event of simultaneous issues of two or more classes or series of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes or series of share capital comprising Shares, then, for the purposes of this Condition 4.3, the formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

shall be restated as

$$NCP = OCP \times \frac{N + v^1 + v^2 + v^3}{N + n^1 + n^2 + n^3}$$

where v1 and n1 shall have the same meanings as “v” and “n”, respectively, but by reference to one class or series of Shares; v2 and n2 shall have the same meanings as “v” and “n”, respectively, but by reference to the second class or series of Shares; v3 and n3 shall have the same meanings as “v” and “n” but by reference to the third class or series of Shares, and so on.

## 5. PAYMENTS

### 5.1. Principal

Payments of principal and premium (if any) in respect of Bonds will be made by wire transfer to the registered account of the Bondholder shown on the Register of Bondholders on or after the Repayment Date upon surrender of the relevant Certificate at the specified office of the Company. The Repayment Date shall be the earlier of (i) January 17, 2014 (subject to the exercise of the Redemption Right pursuant to Section 6.1, or (ii) immediately prior to the consummation of any transaction of the type contemplated in Conditions 9.7 or 9.8 (a "Change of Control"). Payments shall be credited first to Costs (if any) then to accrued interest (if any) due and payable and any remainder applied to principal. Prepayment of principal, together with accrued interest (if any), may not be made without the Requisite Holder(s) consent.

### 5.2. Registered Accounts

For the purposes of this Condition 5, a Bondholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with an internationally reputable bank in Seoul, details of which appear on the Register of Bondholders at the close of business on the Principal Record Date or Interest Record Date, as the case may be.

### 5.4. Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

### 5.5. Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day (and the amount due is received on the next following business day) or if the Bondholder is late in surrendering its Certificate (if required to do so). In this Condition "business day" means any day on which banks are open for business in Seoul.

## 6. REDEMPTION, PURCHASE AND CANCELLATION

### 6.1. Grant of Redemption Right.

Upon receipt by the Company of written notice by the Purchaser during the Exercising Period, the Purchaser shall have the option (the "**Redemption Right**") to require the Company to redeem from the Purchaser, subject to the conditions set forth in this Agreement, some or all of the Bonds initially acquired by the Purchaser ("**Redemption Bonds**") at an aggregate purchase price equal to 2.5 Million Dollars (\$2,500,000) (the "**Redemption Price**"). In order to exercise such Redemption Right, the Purchaser must deliver written notice to the Company of the Purchaser's election to exercise the Redemption Right in accordance with Section 6.1.2 of this Agreement during the Exercising Period.

#### 6.1.1. Exercising Period.

Exercising Period shall start on the date of the January 17, 2013 and end on the thirty (30) days before the due date.

#### 6.1.2. Manner of Exercise.

The Purchaser shall exercise the Redemption Right by giving an irrevocable written notice from the Purchaser to the Company during the Exercising Period that the Purchaser elects to exercise such Redemption Right upon the terms and subject to the conditions set forth in this Agreement.

### 6.1.3. Closing and payment

The closing of the purchase and sale of the Bonds shall occur on the date designated in writing by the Company to the Purchaser, which date shall be within fifteen (15) business days following the date upon which the Company received the written notice from the Purchaser that the Purchaser was electing to exercise the Redemption Right.

### 6.2 Purchases

The Company may at any time and from time to time purchase Bonds at a negotiated price from any Bondholder. Such Bonds may, at the option of the Company, be held, resold or cancelled. The Bonds so purchased, while held by or on behalf of the Company, shall not entitle the holder to vote at any meeting of the Bondholders (if applicable) and shall not be deemed to be outstanding for the purpose of calculating the quorum at a meeting of the Bondholders (if applicable) or for determining Required Holder(s).

### 6.3. Cancellation

All Bonds which are redeemed or converted or purchased as provided in paragraph 6.2 above and surrendered to the Company for cancellation will forthwith be cancelled. All Bonds cancelled may not be reissued or resold.

## 7. TAXATION

All payments of principal, premium (if any) and interest by the Company will be made without deduction of or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Korea or any political subdivision thereof or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In that event, the Company will pay such additional amounts by way of principal, premium (if any) and interest as will result (after such deduction or withholding) in the receipt by the Bondholders of the amounts which would otherwise have been receivable (in the absence of such deduction or withholdings) except that no such additional amount shall be payable in respect of any Bond beyond the total indebtedness evidenced thereunder:

(1) to a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his being connected with Korea (or any political subdivision thereof) otherwise than merely by holding the Bond or by the receipt of principal, premium (if any) or interest in respect of any Bond; or

(2)(if surrender of the relevant Certificate is a condition to payment) where the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such 30 day period, assuming, whether or not it is in fact the case, such last day to be a business day.

For this purpose the “**relevant date**” in relation to any payment means the due date for that payment thereof.

Reference in these Conditions to principal or premium or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 8. STAMP DUTIES AND TAXES

### 8.1. Stamp Duties

The Company will pay any stamp, issue, documentary or other taxes and duties, including interest and penalties, if applicable, in respect of the creation, issue and offering of the Bonds and the execution or delivery of these Terms and Conditions. The Company will also indemnify the Bondholders from and against all stamp, issue, documentary or other taxes paid by any of them (including interest and penalties) in any jurisdiction in connection with any action taken by or on behalf of such Bondholders to enforce the Company's obligations under these Terms and Conditions or the Bonds unless otherwise ordered by a court of competent jurisdiction in such proceedings.

## 8.2. Changing of Taxing Jurisdiction

If the Company becomes subject generally to the taxing jurisdiction of a territory or any authority of or in that territory having power to tax other than or in addition to Korea or any such authority of or in such territory, then the Company shall be deemed to have given Holders an undertaking in terms corresponding to the terms of these Terms and Conditions with the substitution for, or (as the case may require) the addition to, the references in these Terms and Conditions to Korea of references to that other or additional territory or authority to whose taxing jurisdiction the Company has become so subject. In such event, the Bonds and these Terms and Conditions will be read accordingly.

## 9. COVENANTS IN RELATION TO THE CONVERSION RIGHT

So long as any Conversion Right is, or is capable of being or becoming, exercisable, the Company will:

### 9.1. Availability of Common Shares

keep available, free from pre-emptive or other rights, out of its authorized but unissued Common Shares such number of Common Shares as would be required to be issued upon conversion of all the Bonds from time to time remaining outstanding and to satisfy in full all other rights of conversion into or exchange or subscription for Common Shares and shall ensure that all Common Shares delivered upon conversion of Bonds pursuant to these Terms and Conditions will be duly and validly issued as fully-paid, non-assessable and freely transferable;

### 9.2. Closure of Register

not close its register of shareholders or take any other action which prevents the transfer of its Shares generally unless, under Korean law as then in effect, the Bonds may be converted legally and the Common Shares issued upon conversion may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times during the periods of such closure or while such other action is effective, nor take any action which prevents the conversion of the Bonds or the issue of Common Shares in respect thereof;

### 9.3. Dividend Accrual Period

not change its Dividend Accrual Period or change the Record Date for the payment of any dividend unless and until such amendments to these Terms and Conditions shall have been made pursuant to the provisions of these Terms and Conditions and notice of such changes and amendments has been given to the Holders in accordance with Condition 18 (such notice to be given not later than 14 days prior to the proposed change in such Dividend Accrual Period or Record Date, as the case may be, taking effect and to be in a form approved by the Required Holders);

### 9.4. Minimum Conversion Price

not take any action which would result in any adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would be decreased to such an extent that the Common Shares to be issued on conversion of any Bond could not, under any applicable law then in effect, be legally issued, fully-paid and non-assessable;

## 9.5. Equity Securities

procure that no securities of the Company are, without the consent of the Required Holders, converted into or exchanged for Shares, and that no rights or warrants to subscribe for or purchase Shares are created, otherwise in each case than in accordance with the terms of issue thereof (except to the extent that such terms are amended as a result of any change in Korean law or regulations);

## 9.6. Other Classes of Share Capital

not create or issue any class of share capital other than Common Shares or non-voting preferred shares authorized at the date of these Terms and Conditions without giving to the Holders notice in accordance with Condition 18 prior to the relevant record date for the determination of shareholders entitled to vote at the general meeting of shareholders at which an amendment to the Company's Articles of Incorporation to enable the Company to create such class of share capital is proposed;

## 9.7. Take-over

if any offer is made to acquire (in one or through a series of related transactions): a majority of the voting stock of the Company (including, without limitation, by way of merger where the Company shareholders immediately prior to the transaction do not hold a majority of the voting stock of the Company immediately after the transaction), or all or substantially all of the Company's assets, then the Company shall give immediate notice in accordance with Condition 18 of such offer to the Bondholders, which notice shall in any event be provided at least 20 days prior to the consummation of any such transaction;

## 9.8. Merger etc.

if it is a party to any transaction such as consolidation, amalgamation or merger with any other corporation in which the Company is not the continuing corporation, provide the Bondholders with written notice of such transaction at least 20 days prior to closing and obtain all consents which may be necessary or appropriate under Korean law to enable the continuing corporation to give effect to the Conversion Right;

## 9.9. Notice of Adjustment Events

give immediate notice to the Bondholder if it shall take any actions that would result in an adjustment of the Conversion Price as set forth in Condition 4.3 or any of the following:

(1) the Company shall authorize the granting, issue or offer to the holders of Shares of rights or warrants to subscribe for or purchase either any Shares or any securities convertible into or exchangeable for Shares; or

(2) the Company shall declare a dividend in or make any other distribution on, or pay or make any cash or other distribution in respect of Shares, or shall authorize the granting, issue or offer to the holders of Shares of rights or warrants to subscribe for or purchase any shares or securities other than Shares or any securities convertible into or exchangeable for Shares; or

(3) the Company shall authorize the issue of any securities convertible into or exchangeable for Shares or rights or warrants to subscribe for or purchase Shares or securities (other than those referred to in Condition 9.9(1) or 9.9(2) above) which will, or shall authorize the issue of any Shares which will, (or, if in any such case a relevant consideration or offering price fixed by the Board of Directors of the Company to be recommended at a relevant general meeting of shareholders is adopted, will) upon issue give rise to any adjustment to the Conversion Price pursuant to Condition 4.3; or

(4) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company.

#### 9.11. Notice to Refer to Adjustment of Conversion Price

ensure that, if the event referred to in the notice required pursuant to Condition 9.10 would result in an adjustment to the Conversion Price, such notice shall also state the Conversion Price in effect at the time such notice is required to be given and the Conversion Price which will result after giving effect to such event or, if such adjusted Conversion Price is not then determinable, the fact that an adjustment in the Conversion Price may result. The Company will also ensure that, without prejudice to the provisions of Condition 9.4, if, after giving effect to the event covered by any such notice and to any adjustment in the Conversion Price, the Common Shares could not or might not, under applicable law then in effect, be legally issued upon conversion of Bonds as fully-paid and non-assessable, any such notice shall also state such fact and the extent to which, by reason of such provisions, effect will not be given to such adjustment; and

#### 9.12. Notice of Adjustment of Conversion Price

if there shall be any adjustment to the Conversion Price, (1) as soon as practicable notify the Bondholders of particulars of the events giving rise to the adjustment, the Conversion Price after such adjustment, the date on which such adjustment takes effect and such other particulars and information as any Bondholder may require and (2) promptly after the date upon which such adjustment takes effect, give notice to the Bondholders stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment; provided that where a notice has been given pursuant to Condition 9.11 correctly stating any information required to be given pursuant to this Condition 9.12, then such notice shall, as to such information, satisfy the requirements of this Condition.

### 10. COVENANTS

So long as any Bond is outstanding, the Company shall:

#### 10.1. Books of Account

keep proper books, records and other documentation of account and, so far as permitted by applicable law, allow each Holder and anyone appointed by such Holder access to the books, records and other documentation of account of the Company at all reasonable times during normal business hours.

#### 10.2. Notice of Events of Default

notify each Holder in writing immediately on becoming aware of the occurrence of any Event of Default.

#### 10.3. Listing

as soon as any of the Bonds is converted into Common Shares, apply for the listing of such Common Shares on the KRX and use its best efforts to have the Common Shares admitted to trading on the KRX, and after admission to trading, to maintain the listing of Common Shares on the KRX; provided that, in any event, the Company shall not file or initiate any procedures for de-listing of Common Shares from the KRX.

### 11. WAIVER

Any Bondholder may, without prejudice to the rights of any other Bondholder and without prejudice to any rights in respect of any subsequent breach, from time to time and at any time, waive in writing any rights such Holder may have under these Terms and Conditions. No waiver shall be deemed valid unless explicitly made in a duly executed written document.

## 12. BUSINESS AND FINANCE COVENANTS.

So long as any of Bonds is outstanding, the Company shall perform or comply with, as applicable, each of the following covenants:

### 12.1. Payment of Bonds

The Company shall punctually pay or cause to be paid the principal, interest and any other amount to become due in respect of the Bonds according to the terms thereof and hereof.

### 12.2. Payment of Taxes and Claims

The Company shall pay and discharge promptly (a) all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or profits before the same shall become delinquent and (b) all lawful claims of which, if unpaid, might by law or agreement become or cause to arise a lien or charge upon its property; provided, however, that none of the foregoing need be paid while being contested in good faith by appropriate proceedings initiated within the period allowed by applicable law, rule or regulation and diligently conducted.

### 12.3. Maintenance of Records and Corporate Existence

The Company shall:

(a) keep proper books of record and account in which full, true and correct entries shall be made of all its business transactions in accordance with generally accepted accounting principles in Korea ("Korean GAAP"); and

(b) set aside on its books from its earnings for each fiscal year, all proper accruals and reserves which, in accordance with Korean GAAP, should be set aside from such earnings in connection with its business, including, without limitation, reserves for depreciation, obsolescence and/or amortization and accruals for taxes for such period, including all taxes based on or measured by income or profits.

### 12.4. Compliance with Law

The Company shall not violate any laws, ordinances, governmental rules or regulations to which it is, or might become, subject, unless the same are being contested by the Company in good faith and by appropriate proceedings which shall effectively prevent the imposition of any penalty, fine or restriction on the Company for such noncompliance.

## 13. EVENTS OF DEFAULT

If any of the following events occurs (each, an "**Event of Default**"), the penalty interest rate shall thereafter accrue, as set forth in Condition 3.2, and, for so long as the Event of Default continues, the Required Holder(s) may give notice in writing to the Company that the Bonds are immediately due and payable:

(a) a default is made for more than seven days in the payment of principal (if applicable) or premium (if any) or fourteen days in the payment of interest in respect of any of the Bonds, when and as the same ought to be paid in accordance with these Conditions; or

(b) a default is made in any material respect by the Company in the performance or observance of any covenant, condition or provision contained in the Bonds, and on its part to be performed or observed (other than the covenant to pay principal, premium (if any) or interest in respect of any of the Bonds, which shall be subject to clause (a) above) and, if such default can be cured, such default continues for the period of 30 days from the earlier of following the service by the Required Holder(s) on the Company of notice requiring such default to be remedied ;or if such default cannot be cured, 2 days after the serving of notice by the Required Holder(s) to the Company of the occurrence of such default.

(c) any other notes, debentures, bonds or other indebtedness for money borrowed having an aggregate principal amount of at least U.S. \$500,000 (or its equivalent in any other currency or currencies) or more (hereinafter called “**Indebtedness**”) of the Company shall become prematurely repayable following default, or steps are taken to enforce any security therefor, or the Company defaults in the repayment of any such Indebtedness at the maturity thereof or (in the case of Indebtedness due on demand) on demand, or, in either case, at the expiration of any applicable grace period therefor (if any) or any guarantee of or indemnity in respect of any Indebtedness of others given by the Company shall not be honored when due and called upon; or

(d) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms for which shall have previously been notified in writing to and approved by the Required Holder(s); or

(e) an encumbrancer (creditor) takes possession or a receiver is appointed for the whole or a material part of the assets or undertaking of the Company; or

(f) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any of its consolidated subsidiaries or affiliates which is material in its effect upon the business or operations of the Company and is not discharged within 30 days thereof (or such longer period as the Required Holder(s) may consider appropriate in relation to the jurisdiction concerned); or

(g) the Company (i) stops payment (within the meaning of Korean or any other applicable bankruptcy law) or (ii) (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or voluntary solvent winding-up or dissolution as is referred to in (d) above) ceases or through an official action of the Board of Directors of the Company threatens to cease to carry on business; or

(h) proceedings shall have been initiated against the Company under any applicable bankruptcy, composition, reorganization, insolvency law or corporate restructuring promotion law; or

(i) the Company shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganization, insolvency law or corporate restructuring promotion law or make an assignment for the benefit of, or enter into any composition with, its creditors; or

(j) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in the foregoing paragraphs (d) through (i); or

(m) the Common Shares are delisted from trading on the KRX and are not listed on another exchange; or

Upon the receipt by the Company of such notice from the Required Holder(s), all outstanding Bonds will immediately become due and payable at their principal amount together with accrued interest and any other amount due in respect of the Bonds according to the terms hereof.

## **14. CURRENCY INDEMNITY**

### **14.1. Currency of Account and Payment**

U.S. dollar (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Company under or in connection with these Terms and Conditions, including damages.

### **14.2. Extent of discharge**

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise), by any Holder in respect of any sum expressed to be due to it from the Company will only constitute a discharge to the Company to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

### **14.3. Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under these Terms and Conditions, the Company will indemnify it against any loss sustained by it as a result. In any event, the Company will indemnify the recipient against the cost of making any such purchase.

### **14.4. Indemnity separate**

This indemnity constitutes a separate and independent obligation from the other obligations in these Terms and Conditions, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Holder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under these Terms and Conditions or any other judgment or order.

## **16. ENFORCEMENT**

At any time after the Bonds shall have become due and repayable, any Holder may, at its discretion and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds, together with premium (if any) and accrued interest, to enforce the provisions of these Terms and Conditions.

## **17. REPLACEMENT OF CERTIFICATES**

If any of the Certificates are mutilated, defaced, destroyed, stolen or lost, they may be replaced at the specified office of the Company upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **18. NOTICES**

Any communication under these Terms and Conditions shall be in English and made by reputable express courier service, or by fax. All such communications to a Holder shall be made to the address as notified by such Holder and set forth with respect to such Holder in the Register of the Bondholders.

## **19. GOVERNING LAW AND JURISDICTION**

### **19.1 Governing Law**

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The Bonds are governed by, and shall be construed in accordance with the laws of Korea.

#### 19.2 Dispute Resolution

The Company and the Purchaser agree that the courts of Korea shall have jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes, which may arise out of or in connection with the Bonds (respectively, "Proceedings" and "Disputes") and, for such purpose, irrevocably submit to the jurisdiction of such courts.

FORM OF CERTIFICATE OF BONDS

Identifying  
Number:

**WISEPOWER CO., LTD.**  
**(incorporated in the Republic of Korea with limited liability)**

**US \$ 2,500,000**  
**Convertible Bonds due January 17, 2014**

Principal Amount of Bonds:  
Name of Bondholder:

The Bonds in respect of which this Certificate is issued, the identifying numbers of which are noted above, are in registered form and form part of the duly authorized issue of Convertible Bonds due January 17, 2014(the “**Bonds**”) of Wisepower Co., Ltd. (the “**Company**”) in the aggregate principal amount of U.S. Dollars \$2,500,000 and constituted by the terms and conditions (the “**Terms and Conditions**”) attached hereto.

The Company hereby certifies that \_\_\_\_\_ is, at the date hereof, entered in the Register of Bondholders as the holder of Bonds in the principal amount of US \$\_\_\_\_\_. For value received, the Company promises to pay the person who appears at the relevant time on this Certificate and on the Register of Bondholders as holder of the Bonds in respect of which this Certificate is issued (the “**Holder**”) the principal which shall become due and repayable in respect of the Bonds, together with any other sums payable in respect of such Bonds and otherwise to comply with the Terms and Conditions.

The Bonds in respect of which this Certificate is issued are convertible, at the option of Bondholders, into fully-paid non-assessable Common Shares with a par value of Won 100 each of the Company, subject to and in accordance with these Terms and Conditions.

THIS BOND SHALL NOT BE TRANSFERRED OR ASSIGNED TO ANY KOREAN RESIDENT (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA) WITHIN ONE YEAR FROM THE DATE THIS BOND IS ISSUED AND SHALL NOT BE DIVIDED INTO MULTIPLE CERTIFICATES, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAW.

The Certificate is evidence of entitlement only. Title to the Bonds passes only on due registration in the Register of Bondholders, entering the name of the transferee in the newly issued Certificate and delivery of such new Certificate to the transferee, and only the duly registered holder is entitled to payments on Bonds in respect of which the new Certificate is issued.

The Certificate is governed by, and shall be construed in accordance with, the laws of Korea.

Issued as of [       ]

**WISEPOWER CO., LTD.**

By:  
Name :  
Title: Representative Director

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THE SPECIFIED OFFICE OF THE COMPANY  
5th Floor, Ace Techno Tower, 55-7 Mullaee-3Ga, Youngdeungpo, Seoul, Korea

(Terms and Conditions will be attached)

**SCHEDULE 2**

**FORM OF TRANSFER**

FOR VALUE RECEIVED the undersigned hereby transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

US \$ \_\_\_\_ principal amount of the Bonds in respect of which this/these Certificate(s) is/are issued, and all rights in respect thereof.

All payments in respect of the Bonds hereby transferred are to be made (unless otherwise instructed by the transferee) to the following account:

Name of bank:

account number:

For the account of:

Dated:

\_\_\_\_\_  
Certifying Signature

Name:

\_\_\_\_\_  
Notes:

(i) The signature of the persons effecting a transfer shall conform to any list of duly authorized specimen signatures supplied by the registered holder or be certified by a recognized bank, notary public or in such other manner as the Company may require.

(ii) This form of transfer should be dated as of the date it is dispatched to the Company.

THE TRANSFEROR AND THE TRANSFEREE HEREBY CONFIRM THAT THE TRANSFEREE IS NOT A KOREAN RESIDENT (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA) AND THE TRANSFEREE HEREBY UNDERTAKES THAT IT WILL NOT TRANSFER OR ASSIGN THIS BOND TO ANY KOREAN RESIDENT (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA) WITHIN ONE YEAR FROM THE DATE THIS BOND IS ISSUED, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAW.

FORM OF CONVERSION NOTICE

WISEPOWER CO., LTD.

US \$ [ ] Convertible Bonds due January 17, 2014

CONVERSION NOTICE

(Please read the notes in the overleaf before completing this Notice)

Name:

Date:

Address:

Signature:

To: WISEPOWER CO., LTD. (the "Company")

I/We, being the holder(s) of the Bond(s) specified below, hereby elect to convert such Bond(s) into Common Shares of the Company ("Shares") in accordance with the Terms and Conditions of the Bonds.

1. Total number of Bond(s) to be converted:

Identifying Number(s) of Bond(s): \_\_\_\_\_

Total principal amount of Bond(s) to be converted: US \$ \_\_\_\_\_

Total number of Shares to be issued: \_\_\_\_\_ Shares

N.B. If necessary, a list of the certificate numbers of the Bonds can be attached separately.

2. Name and address and (if required) investment registration card number of the person in whose name the Shares required to be delivered on conversion are to be registered:-

Name:

Address:

Investment Registration Card Number (see note 3 overleaf)

3. I/We hereby request that the certificate(s) for the Shares (together with any other securities, property or cash) required to be delivered upon conversion be delivered as follows:

Shares are to be credited to the account of my/our Custodian in the Korea Securities Depository ("KSD") as set forth below:

Name:

KSD Account:

N.B.

*(i) This Conversion Notice will be void unless Sections 1, 2 and 3 are duly completed.*

*(ii) Your attention is drawn to the Terms and Conditions of the Bonds with respect to the conditions precedent which must be fulfilled before the Bonds specified above will be treated effectively deposited for conversion.*

Date:

Signature(s)

Print

Name(s)

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**Notes:**

1. If a retroactive adjustment contemplated by the Terms and Conditions of the Bonds is required in respect of the Bonds, certificates for the additional Shares deliverable pursuant to such retroactive adjustment (together with any other securities, property or cash) will be delivered or dispatched in the same manner as the Shares, other securities, property and cash previously issued pursuant to the relevant Conversion Notice.
2. A converting Bondholder who is not resident in Korea may appoint an agent in Korea by means of a general power of attorney. The agent acts on behalf of the registered shareholder in the exercise of shareholders' rights and duties and under current Korean regulations must be a company authorized to act as an agent for foreign investors. The regulations applicable to foreign investment are subject to change, and it is recommended that Bondholders consult with their legal advisers on the Korean regulations applicable to them from time to time.
3. Under current Korean law a converting Bondholder who is a foreigner (as defined in the regulations of the Financial Supervisory Commission of Korea) must, if such converting Bondholder has not so registered, register with the Financial Supervisory Service as a foreign investor before the acquisition of the Shares through conversion of the Bonds and report his acquisition of Shares or other shares of the Company to the Governor of the Financial Supervisory Service in Korea.
4. A converting Bondholder who is not resident in Korea must also file a mailing address in Korea with the agent.