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**MEMORANDUM OF UNDERSTANDING**

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This non-binding **Memorandum of Understanding** ("MOU") takes effect on April 16th, 2012 ("Effective Date") and is between Soraa, Inc., a Delaware corporation with its principal office located at 6500 Kaiser Drive, Fremont, California 94555 ("Company"), and The Research Foundation of State University at New York ("Foundation") on behalf of the College of Nanoscale Science and Engineering ("CNSE") of the University at Albany, State University of New York with an office located at 257 Fuller Road, Albany, New York, 12203. (Company and Foundation are each referred to as a "Party" and together the "Parties").

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**I. OVERVIEW**

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I.1. New York State has led the U.S. in multi-billion dollar strategic investments in high technology programs that cover the entire spectrum of clean energy, smart grid and nanotechnology industry needs, from long-term innovative research and development, to workforce development and education, to product prototyping and commercialization.

I.2. New York State's comprehensive job creation and economic growth agenda for New York State provides strategic investments for job creation in emerging high-tech industries across New York State and fosters critical partnerships between State government, the private sector and New York State's top-flight universities and research institutions, as demonstrated recently by the commitment and growth of CNSE, together with its public and private university and industry partners.

I.3. Company is a corporation duly formed under the laws of the State of Delaware that has become a leader in the field of energy-efficient and reliable LED lighting technology.

I.4. Company acknowledges that CNSE is a critical enabling component in maintaining and bolstering New York State's position as a leader in clean energy and nanotechnologies, and recognizes the mutual benefit that can be attained by: (i) collaborating with CNSE to bring to the State of New York new research, development, and business investments from the various sectors of the clean energy technology industry; and (ii) fostering critical partnerships among the Parties and the public and private sectors.

I.5. CNSE recognizes Company as a valuable potential collaborator and partner in the development of future generations of lighting technologies.

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I.6 The Parties desire to make joint investments in the State of New York that focus on (i) research and development (“R&D”) and prototyping for energy-efficient and reliable LEDs to achieve technological and manufacturing breakthroughs in ultra-high performance lighting technologies while minimizing power consumption and maximize energy efficiency; and (ii) the establishment of Company manufacturing, business, and other related operations in Western New York.

I.7 In view of the foregoing, the Parties set forth an expression of interest to engage in good faith negotiations in contemplation of a closer collaboration to establish the objectives set forth below. As the Parties embark upon negotiations, they wish to express their preliminary understanding of issues within this MOU. No Party will be bound by the provisions in Sections I through IV until such time as the critical issues therein are fully negotiated and documented in a final definitive contract signed by Foundation, on behalf of CNSE, and Company (“Final Contract”). The provisions in Articles V through XVII below are binding terms affecting the administration of this MOU and the conduct of negotiations between the Parties. Only the provisions in Articles V through XVII are binding on the Parties upon signature of this MOU by both Parties.

I.8 Defined terms in the MOU include the definitions listed below.

I.8.1 Facility: The Facility includes the building shell and infrastructure to support Manufacturing Operations. The infrastructure includes, but is not limited to, all reasonable operational elements, such as clean room space, electrical service distribution, water, waste-water-treatment, sewage, air handling and HVAC, effluence scrubbers, and others.

I.8.2 Manufacturing Equipment: The Manufacturing Equipment includes the manufacturing tools that are reasonably deemed to be useful and necessary to perform the Manufacturing Operations of making LED products. Examples of Equipment include, but are not limited to, lithography, deposition, inspection, etching, metallization, wafer dicing, and others.

I.8.3. Manufacturing Operations: An entity consisting of the Facility and Manufacturing Equipment that are reasonably deemed to be useful and necessary to manufacture the LED products.

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## **II. OBJECTIVES**

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II.1. R&D, Business Outreach, and Economic Development Discussion

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The Parties will undergo confidential discussions with the purpose of entertaining entering into an R&D collaboration and economic partnership agreement for the location of Company research and development at CNSE and manufacturing and business operations in Western New York.

**II.2. Desirable Goals of the Collaboration**

II.2.1. Develop, demonstrate, and deploy energy-efficient and reliable LEDs to achieve technological and manufacturing breakthroughs in ultra-high performance lighting technologies while minimizing power consumption and maximize energy efficiency.

II.2.2. Establish Company manufacturing, business, and related operations in Western New York in accordance with the Company obligations outlined in Section III.

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**III. COMPANY OBLIGATIONS**

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The Company commits to the establishment of its next generation LED technology Manufacturing Operation in Western New York, at a location to be mutually agreed by the Parties. The Company agrees to jointly commission, with the Foundation, the Manufacturing Operation no later than January 2014 ("Commission Date") and complete full production output from the Manufacturing Operation within 5 years of the Commission Date. The company further agrees to certain operational levels of investments over 5 years and the creation and retention of high tech jobs during the same period as outlined below and in accordance with the Table attached and made an integral part of this MOU as Schedule A.

**III.1. Company Investment Targets**

The Company commits to invest and spend in this Manufacturing Operation at a level that ensures competitive product costs as determined by the market place for a minimum of five years. The Company will also cover all costs associated with operation of the facility. For planning purposes, it is anticipated that the company will spend approximately \$120M per year at full capacity and taking into account no major changes in certain costs for GaN substrate materials.

**III.2. Company Employment Targets**

Company commits to the creation of 200 high tech jobs (approximately 100 engineering, 100 technician level) at its fully ramped Manufacturing Operation in Western New York, at a location to be mutually agreed by the Parties. The Company commits to the retention of these jobs for a period of no less than 5 years. Company also commits to working jointly with the Foundation to attract and locate an additional 150 support high tech jobs from Company contractors and suppliers at the same location in Western New

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York. The Company further commits to working jointly with the Foundation to the retention of these jobs for a period of no less than 5 years.

**III.3. Company R&D Funding Targets**

Company commits to work with Foundation, on behalf of CNSE, to identify sources of funding to develop, demonstrate, and deploy energy-efficient and reliable LEDs to achieve technological and manufacturing breakthroughs in ultra-high performance lighting technologies while minimizing power consumption and maximize energy efficiency. Such funding is projected to be generated from public and private funding sources.

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**IV. FOUNDATION OBLIGATIONS**

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**IV.1. Foundation Capital Funding**

Foundation will use best efforts to generate funding from the State of New York State, to be administered through Foundation, to construct a 50,000 square-foot Facility, including 15,000 square-foot of clean room space, in accordance with The Company's specifications, to house Company's next generation Manufacturing Operations in Western New York, at a location to be mutually agreed by the Parties. The Facility will be owned by FOUNDATION and assigned to the exclusive use of The Company for a minimum of five years.

Foundation will further use best efforts to generate funding from the State of New York State, to be administered through Foundation, to equip the Facility with the Manufacturing Equipment, as specified by The Company, necessary for The Company's next generation Manufacturing Operations in Western New York, at a location to be mutually agreed by the Parties. The Manufacturing Equipment will be owned by FOUNDATION and assigned to the exclusive use of the Company for a minimum of five years, which can be extended for ten (10) years, based on good faith mutual agreement.

Under no circumstance will the cost of the Manufacturing Operations (Facility and Manufacturing Equipment) exceed \$70 million.

Foundation will provide the Facility and Manufacturing Equipment to The Company for the consideration of \$1.00 per year for a minimum of five years, which can be extended for ten (10) years, based on good faith mutual agreement.

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**IV.2. Foundation Employment Targets**

Foundation commits to working jointly with the Company to attract and locate an additional 150 support high tech jobs from Company contractors and suppliers at the same location in Western New York. The Foundation further commits to working jointly with the Company to the retention of these jobs for a period of no less than 5 years.

**IV.3. Foundation R&D Funding Targets**

Foundation commits to work with Company to identify sources of funding to develop, demonstrate, and deploy energy-efficient and reliable LEDs to achieve technological and manufacturing breakthroughs in ultra-high performance lighting technologies while minimizing power consumption and maximize energy efficiency. Such funding is projected to be generated from public and private funding sources.

**IV.4. Workforce Education and training**

Foundation commits to work with Company to help recruit, relocate, and train the workforce in Western New York necessary to staff the facility with the 200 high tech jobs.

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**V. FUNDS**

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Each Party shall be responsible for funding its own activities under this MOU. The scope of the activities under this MOU shall be determined by the funds available at both institutions for the types of collaboration undertaken and by financial assistance as may be obtained by either institution from external sources. No funds of either Party are in any way committed or obligated for any purpose whatsoever by virtue of entering into this MOU. This MOU does not identify or require the transfer of funds between the Parties. This MOU shall not be construed to authorize or guarantee funding for any proposals submitted in response to any solicitation, nor shall it be construed as a guarantee of future funding nor shall this MOU be construed as an endorsement of any proposal submitted by any Party or non-Party.

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**VI. FUNDRAISING**

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The Parties agree to seek joint funding from public and/or private entities, including federal and state governments and quasi-government agencies and organizations, foundations and private philanthropy and commercial interests, to support and finance

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RD&D prototype development based equipment and resources necessary to establish the state-of-the-art facilities for the joint activities as outlined in this MOU. The Parties will consult with each other, in advance, prior to undertaking fundraising activities with third parties pursuant to their joint activities under this MOU.

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**VII. INTELLECTUAL PROPERTY**

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Rights in intellectual property created under a separate agreements resulting from this MOU shall be determined in accordance with the terms of the separate agreement. No rights in any intellectual property are conveyed or granted by or under this MOU.

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**VIII. FINAL CONTRACTS(S)**

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The Parties agree and acknowledge that the precise terms and conditions associated with each collaborative research and/or education program, and the corresponding use of facilities will be governed by one or more Final Contracts that will be separately executed written agreements entered into by Company and Foundation on behalf of affiliated entities that will detail the precise terms and conditions of such research and/or programs, including without limitation the mutually agreed upon rights and obligations of the Parties in regards to technology transfer and intellectual property. The Parties acknowledge that entry into a Final Contract(s) may be subject to a multitude of material conditions precedent, including, but not limited to, each Party's review and approval; successful negotiation of an agreed set of terms and conditions and agreement on the details of the scope of work for joint projects; and successful negotiation of related agreements, if any.

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**IX. TERM AND TERMINATION**

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This MOU shall be effective for an initial term of One (1) year following the Effective Date (the "Term"), unless earlier terminated in accordance with this MOU. Any extension of this MOU will be mutually agreed upon as to terms and executed in writing. Either Company or Foundation may terminate this MOU by giving at least thirty (30) days prior written notice.

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**X. PUBLICATION AND PUBLICITY**

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Press releases and any publicity or other communication or disclosure by any Party to a non-party regarding this MOU, the relationship among the Parties, or the negotiation of

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the proposed Final Contract must be approved by all Parties in writing prior to any such press release, public announcement or other disclosure, excluding any communication to another Party to this MOU or internal within any Party.

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**XI. CONFIDENTIAL INFORMATION**

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The Parties agree that confidentiality terms set forth in Schedule B and the Mutual Confidential Disclosure Agreement entered into by the Parties and made effective as of March 21, 2011, shall govern confidentiality during the Term of this MOU.

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**XII. USE OF NAME**

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Nothing contained in this Agreement shall be construed as conferring any right to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of either Party (including any contraction, abbreviation or simulation of any of the foregoing).

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**XIII. NOTICE**

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All communications, notices and disclosures required or permitted by this Agreement shall be in writing, shall be provided to the other Party and shall be deemed to have been given at the earlier of the date when actually delivered to the other Party or when deposited in the United States mail, certified or registered mail, postage prepaid, return receipt requested, by hand delivery, by overnight courier service with signed receipt or by facsimile transmission (with written confirmation of receipt thereof), and addressed as follows, unless and until either Party notifies the other Party of a change of address:

To Foundation:

John Loonan, Operations Manager  
College of Nanoscale Science and Engineering  
257 Fuller Road  
Albany, New York 12203  
USA

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To Company:

Udi Bar Sela, Vice President of Finance  
6500 Kaiser Drive  
Fremont, CA 94555

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**XIV. NO LIABILITY**

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XIV.1 No Party shall make a claim against, or be liable to, any other Party or its affiliates or agents for any damages, including (without limitation) incidental, consequential, special or indirect, punitive, damages or lost profits or injury to business reputation, resulting from the continuation or abandonment of negotiations. A Party's undertaking to develop information or technology and/or acquire personnel or capital assets or other detrimental reliance in expectation of execution of a Final Contract shall be at its own risk and such Party shall not make a claim against any other Party for any such reliance damages.

XIV.2 Any detrimental reliance or performance based on the binding portions of this MOU is undertaken in exchange for the consideration due under the MOU and the associated risks are entirely assumed by the relying or performing Party.

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**XV. GOVERNING LAW AND JURISDICTION**

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This MOU will be governed by and interpreted exclusively under the laws of the State of New York, without regard to its choice of law rules. The Parties will comply with all applicable federal, state and local laws and regulations with respect to this MOU. In case of any dispute concerning or arising out of this MOU that cannot be resolved by the Parties in good faith, such dispute shall be finally settled and venue shall be exclusively held in any appropriate state or federal court in the County of Albany, State of New York. Each Party consents to exclusive jurisdiction and venue of such courts.

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**XVI. EXPORT CONTROL**

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No Party will export or re-export the technology, commodities, or software (or the direct product thereof), directly or indirectly, to any countries to which such export is now or hereafter becomes illegal under U.S. export regulations if such Party is in the US or governed by US law or by the laws of any other governing administration.



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**XVII. MISCELLANEOUS**

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XVII.1 No amendment or modification of this MOU shall be valid or binding upon the Parties unless in a writing executed by both of the Parties.

XVII.2 This MOU may be signed in one or more counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute the same MOU. Any signed copy of this MOU made by photocopy, facsimile or Adobe PDF format shall be considered an original.

XVII.3 All agreements drafts, "term sheets", memoranda, if any, and other communications respecting the agreements or activities related thereto prepared or exchanged in the course of negotiations, even if signed by one or all Parties, shall be considered only preliminary and shall not be legally binding unless subsequently incorporated into an amended MOU or Final Contract.

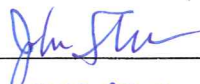
IN WITNESS WHEREOF, each Party has caused this MOU to be signed by its duly authorized representative as follows:

**SORAA, INC.**



By: Eric B. Kim  
Title: CEO/President  
Date: 04/16/2012

**THE RESEARCH FOUNDATION OF STATE  
UNIVERSITY OF NEW YORK, ON BEHALF  
OF THE COLLEGE OF NANOSCALE  
SCIENCE AND ENGINEERING**

By:   
Title: CNSE RE OPERATIONS MANAGER  
Date: 4-17-12

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**Schedule A**

Top Level Terms and Timeline--Soraa Fab 2

<b>Term</b>	<b>Definition</b>
FOUNDATION	The Research Foundation of State University at New York ("Foundation") on behalf of the College of Nanoscale Science and Engineering ("CNSE") of the University at Albany, State University of New York with an office located at 257 Fuller Road, Albany, New York, 12203
SORAA	Soraa Inc., a company duly incorporated under the laws of Delaware, having its principal place of business at 6500 Kaiser Drive, Fremont, CA 94555
MANUFACTURING OPERATION	SORAA shall locate the Manufacturing Operation at a mutually agreed upon location in the State of New York. FOUNDATION shall provide a total funding of \$ 70,000,000.00 US for the Manufacturing Operation. The total funding for the Manufacturing Operation excludes any and costs associated with land.
FACILITY AND EQUIPMENT OWNERSHIP	FOUNDATION shall own the Facility and Manufacturing Equipment. SORAA shall own any and all of the proprietary technology necessary and useful for manufacturing the LED products. SORAA owns all the inventory, product, output, and other property associated with running the operations of the Manufacturing Operation.
LEASE	SORAA shall lease the Manufacturing Plants and equipment for the Manufacturing Plants from FOUNDATION the sole consideration of one dollar \$1.00US per year.
TIME SCHEDULE AND RAMP	FOUNDATION and SORAA shall jointly commission the Manufacturing Plants no later than January 2014. FOUNDATION and SORAA shall ramp up production of the LED products to 1000 4" wafers/week no later than five years from the commission date. SORAA will cover all costs associated with operation of the facility.
SORAA'S INVESTMENT	SORAA commits to invest and spend in this Manufacturing Operation at a level that ensures competitive product costs as determined by the market place for a minimum of five years. For planning purposes, it is anticipated that the company will spend approximately \$120M per year at full capacity and taking into account no major changes in certain costs for GaN substrate materials.
JOB CREATION	SORAA shall create two-hundred (200) jobs (e.g., employees and contractors) for the purpose of operating the Manufacturing Operation. (These jobs will scale with

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<b>Term</b>	<b>Definition</b>
	the ramp of the Manufacturing Operation). SORAA shall also commit to working jointly with the Foundation to attract and locate an additional 150 support high tech jobs from Company contractors and suppliers at the same location in Western New York.
TERM	Five (5) years, with the possibility for a mutually-agreed renewal for a ten-year period, under the same or similar terms.
TIMING AND DUE DILIGENCE OF FINAL CONTRACT	Signing of the MOU by the Effective Date; Due diligence and negotiations for the Final Contract; and Execution of the Final Contract no later than three months from the Effective Date.

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**Schedule B**

**CONFIDENTIALITY**

**Purpose**

Each of the Parties may disclose and receive Confidential Information (defined below) from the other Party, for the limited purpose of evaluating the suitability of entering into one or more separate agreements as identified in the MOU (hereinafter referred to as "Purpose").

**Disclosure of Confidential Information**

"Confidential Information" shall mean all information that is maintained in confidence by a Party ("Owning Party") and is disclosed to or obtained by the other Party in connection with and during the Term of this MOU, including, but not limited to, information that relates to such Owning Party's past, present or future research, development, manufacturing, or business activities. Either Party ("Disclosing Party") may disclose its confidential information to the other Party ("Receiving Party") orally, in writing or by other media or transfer of materials including graphic, photographic, recorded, prototype, sample, or other tangible or permanent form clearly and obviously marked "confidential" or "proprietary". Electronic information will be adequately marked if the container is marked and if a proprietary legend displays when the information runs on a computer system and when the information is printed from its data file.

When disclosed orally, Disclosing Party shall identify the information as confidential at the time of such disclosure, with subsequent written confirmation to Receiving Party within thirty (30) days of such disclosure indicating the date and type of information disclosed. All restrictions provided herein regarding use and/or disclosure shall apply during such thirty-day period.

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**Protecting confidential information**

Receiving Party will retain Disclosing Party's Confidential Information in confidence for three (3) years from the date of disclosure. Receiving Party will not disclose, disseminate, or publish any of Disclosing Party's Confidential Information to any person except employees or agents of Receiving Party on a need to know basis. Receiving Party shall ensure that such employees or agents shall be bound by terms at least as protective as the terms of this Schedule A. Each Party warrants that employees or agents shall comply with the terms of this Schedule A. Upon the termination or expiration of this MOU, the Parties shall confer regarding the status of Confidential Information disclosed and/or created under this MOU.

All right, title and interest in patents, copyrights, trademarks, data, designs, drawings, blueprints, tracings, plans, layouts, specifications, formulae and any and all other Confidential Information which are furnished to the Receiving Party shall be and remain the exclusive property of the Disclosing Party. The Parties recognize and agree that nothing contained in MOU shall be construed as granting any property rights, by implication, license or otherwise, to any Confidential Information of the other Party disclosed pursuant to the MOU, or to any invention or any patent, copyright, trademark, or other intellectual property.

Each Party agrees to not make, use, sell, offer for sale, or have made, any product or service based upon the Confidential Information provided to it without executing an agreement authorizing such use. Each Party further agrees not to reproduce in any form (except as required to accomplish the Purpose set forth in this Schedule A), analyze, modify, reverse engineer, decompile, create other works from, or disassemble the Confidential Information disclosed to it or any samples of tangible materials included therein.

The Party receiving Confidential Information under this MOU shall be held to the same standard of care in protecting such information as the Receiving Party normally employs to preserve and safeguard its own Confidential Information of similar kind.

**Exclusions; Required Disclosure**

Receiving Party's obligations regarding Disclosing Party's Confidential Information shall not apply to information (a) that was already known to Receiving Party prior to the disclosure of such information to Receiving Party by Disclosing Party, (b) that is or becomes publicly available through no act or fault of Receiving Party, (c) that is rightfully

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received by Receiving Party from a third-party having no obligation of confidentiality to Disclosing Party, or (d) that is independently developed by Receiving Party.

In the event the Receiving Party is required by law, regulation, or court order to disclose any of the Disclosing Party's Confidential Information, the Receiving Party will notify the Disclosing Party in writing prior to making such disclosure in order to facilitate the Disclosing Party seeking a protective order or other appropriate remedy from the appropriate legal body. The Receiving Party further agrees that if the Disclosing Party is not successful in precluding the requesting legal body from reviewing the Confidential Information, it will furnish only that portion of the Confidential Information which is legally required and will exercise all reasonable efforts to obtain reliable assurances that confidential treatment will be accorded the Confidential Information.