IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CAMBER ENERGY, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION №. 4:17-cv-1436
	§	
DISCOVER GROWTH FUND, and	§	JURY REQUESTED
FIFTH THIRD SECURITIES, INC.,	§	
	§	
Defendants.	§	
	§	

CAMBER ENERGY, INC.'S PETITION AND REQUEST FOR TEMPORARY RESTRAINING ORDER, PRELIMINARY INJUNCTION AND PERMANENT INJUNCTION

TO THE HONORABLE JUDGE AND JURY OF SAID COURT:

1. Plaintiff Camber Energy, Inc., formerly Lucas Energy, Inc., prior to January 3, 2017 ("***Camber***") alleges as follows:

2. **PRELIMINARY STATEMENT**:

3. This petition seeks injunctive relief to avoid the destruction of a publicly traded company. The injunctive relieve seeks to halt the unlimited conversion and sale of shares based on deceptive, incomplete, disputed and unconscionable documents.

4. **PARTIES, JURISDICTION AND VENUE**:

5. Camber is a Nevada Corporation headquartered at 450 Gears Road, Suite 860, Houston, Texas 77067. Camber is a publicly traded company trading on the NYSE MKT ("***NYSE***") under the symbol "***CEI***".

6. One Defendant is Discover Growth Fund ("***Discover***"), a foreign company which can be served care of ATTN: David Sims, Director, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman, KY1-1209.

7. One Defendant is Fifth Third Securities, Inc. ("***Fifth Third***") which can be served at 38 Fountain Square Plaza, MD 10AT42, Cincinnati, Ohio 45263 1.513.534.7421 (phone); registered agent Corporation Service Company, 50 West Broad Street, Suite 1330, Columbus, OH 43215.

8. This is a civil action where the matter in controversy exceeds the sum or value of $75,000.00, exclusive of interest and costs, and is between citizens of a State and citizens or subjects of a foreign state or State. Therefore, federal subject-matter jurisdiction exists under 28 U.S.C. §1332(a). Additionally, the amount in controversy exceeds the sum or value specified by 28 U.S.C. §1332.

9. This is a case of actual controversy within the jurisdiction of this Court. There is substantial uncertainty surrounding the rights of Plaintiff and Defendants. The Court may therefore declare the rights and other legal relations of the parties under 28 U.S.C. §2201. The Court may grant further necessary or proper relief under 28 U.S.C. §2202.

10. To the extent necessary, supplemental jurisdiction exists under 28 U.S.C. §1367.

11. Venue is proper under 28 U.S.C. §1391.

12. International service of process, a restraining order, and injunctive relief are proper under 28 U.S.C. §2361.

13. Injunctive relief is proper under FED. R. CIV. P. 65.

14. **SUPPORT**:

15. This Petition and Request for Temporary Restraining Order, Temporary Injunction and Permanent Injunction is supported by the affidavit of Mr. Anthony C. Schnur attached as Exhibit "A" and incorporated herein by reference as though set forth herein verbatim (the "***Schnur Affidavit***") and the 2 exhibits attached to the Schnur Affidavit which are incorporated herein by reference as though set forth herein verbatim.

16. **FACTUAL BACKGROUND**:

17. **A: Overview of the Transaction**:

18. Camber (formerly Lucas Energy) is a publicly-traded energy company that is actively engaged in the utilization, development, and production of crude oil, natural gas and natural gas liquids. Camber has a balanced asset base in Texas and Oklahoma.

19. Prior to April 6, 2016, Camber's Chief Executive Officer, Anthony C. Schnur ("***Schnur***") had several discussions with Brendan T. O'Neil of Discover to discuss an investment by Discover in Camber.

20. Unknown by Camber at the time, the principals of Discover were identical to those of Ironridge Global Partners, LLC ("***Ironridge***") and Ironridge was the subject of a Securities and Exchange Commission ("***SEC***") Administrative proceeding.

21. On June 23, 2015, the SEC issued an Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (the "***Order***"). The Order states that "[b]etween April 2011 through March 2014, Ironridge willfully violated Sections 15(a) and 20(b) of the Securities Exchange Act of 1934 ("Exchange

Act"), and Global IV [a related entity] willfully violated Section 15(a) of the Exchange Act through Global IV's operation as an unregistered dealer by engaging in serial underwriting activity, providing related investment advice, and receiving and selling billions of shares in connection with self-described financing services for domestic microcap stock companies ("microcap issuers") explicitly designed to utilize the registration exemption contained in Section 3(a)(10) of the Securities Act of 1933 ("***Securities Act***")." The Order further states that "Global IV has willfully violated Section 15(a) of the Exchange Act, which prohibits a broker or dealer to effect transactions in any security without registering with the Commission . . . [and] Ironridge willfully violated Sections 15(a) and 20(b) of the Exchange Act".

22. The SEC has aggressively continued its Administrative Proceeding against Ironridge. Based on information and belief, which Camber intends to follow up on in discovery, as of February 1, 2017, the SEC administrative proceeding has been stayed pending a settlement by the parties, which Camber believes may include sanctions against Ironridge and potentially its principals.

23. The Principals of Ironridge are David Sims, Brendan T. O'Neil, John C. Kirkland and Keith R. Coulston (the "***Principals***")[1]. David Sims is listed as a Director of Discover[2]. Brendan T. O'Neil, Keith R. Coulston and John C. Kirkland have participated as representatives of Discover in email correspondence with Camber (using Discover email addresses (i.e., emails from the dgfunds.com domain)). The Principals have signed for Discover on Discover Growth Fund signature blocks. The Principals have purported to act for, and represent, Discover on various emails.

24. The allegations made by the SEC in the Order and the SEC's various pleadings[3] are significant and raise issues regarding Discover's compliance with applicable law, the ability of Discover's Principals to buy and sell securities, the motives of Discover and its potential for illegal actions.

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1 See various Schedule 13Gs filed by Ironridge with the SEC (https://www.sec.gov/Archives/edgar/data/1342643/000114420415009139/v401534_sc13ga.htm, https://www.sec.gov/Archives/edgar/data/1486526/000114420414024318/v375566_sc13g.htm, and https://www.sec.gov/Archives/edgar/data/1322587/000114420414014312/v370959_sc13g.htm). Additional Schedule 13G's can be reviewed by going to the SEC's "Full-Text Search" for Edgar (https://searchwww.sec.gov/EDGARFSClient/jsp/EDGAR_MainAccess.jsp), and searching for text "ironridge global" in form type "SC 13G".

2 See footnote (1) on page 26 https://www.sec.gov/Archives/edgar/data/1309082/000158069516000830/lei-s3a_110116.htm

3 For example https://www.sec.gov/litigation/apdocuments/3-16649-event-42.pdf

25. Based on information and belief, which Camber intends to follow up on in discovery, the Principals, during such time that Ironridge was subject to SEC administrative proceedings, created Discover to continue to undertake the same sorts of transactions and perpetrate the same types of frauds and illegal activities as the SEC alleges they undertook through Ironridge.

26. On or about February 4, 2016, Camber entered into an agreement with Roth Capital Partners, LLC ("***Roth***") to try and raise capital/equity. Essentially, Roth was acting as an agent for Camber and would receive a commission if Roth was successful in raising the capital/equity. Shortly thereafter, Roth introduced Camber to Discover.

27. On April 6, 2016, Camber, at that time Lucas Energy, entered into (i) a Securities Purchase Agreement with Discover, pursuant to which Camber sold Discover a redeemable convertible subordinated debenture, with a face amount of $530,000 (the "***Debenture***") and a warrant to initially purchase 1,384,616 shares of common stock (subject to adjustment thereunder) at an exercise price equal to $3.25 per share (the "***Warrant***") for $500,000; and (ii) a Stock Purchase Agreement, pursuant to which Camber agreed, among other things, subject to certain conditions, to sell up to 527 shares of Series C

redeemable convertible preferred stock to Discover (the "***Preferred Stock***" and together with the Debenture and Warrant, the "***Securities***").

28. The Securities Purchase Agreement, the Stock Purchase Agreement and the Securities shall be referred to as the "***Discover Documents***." The Securities Purchase Agreement and the Stock Purchase Agreement are attached to the Schnur Affidavit as Exhibits "A-1" and "A-2", respectively, and are incorporated into this Pleading as though fully set forth herein verbatim.

29. In order to consummate the transaction to obtain a cash infusion, the Board of Directors of Camber had previously, on April 4, 2016, approved Camber's entry into the Discover Documents and Schnur had executed the Discover Documents.

30. However, the unreasonable interpretation of the material terms of such Discover Documents, the terms which could lead to triggering events, defaults, and exponential increases in the number of shares due to Discover, were not disclosed to Camber, prior to Camber agreeing to the terms of the transaction.

31. The Discover Documents were drafted in such a way as to obscure the true terms of such documents and the total number of shares of common stock that could be issuable by Camber thereunder. The Discover Documents include

numerous cross references and defined terms, many of which are subject to multiple interpretations, as well as several references which refer to sections which do not exist. Only after signing the documents did Camber and Mr. Schnur learn that Discover's reading of the Discover Documents was that the terms that applied were the strictest and most Camber unfriendly interpretation possible.

32. Unknown to Camber when the Discover Documents were executed was that Discover's successive conversions/exercises of the Securities by Discover, and the subsequent sale of a significant number of shares in connection therewith, would significantly decrease the trading price of Camber's common stock. Discover would have known that Camber's stock price was likely to fall below $1.00 per share and that pursuant to the terms of the Discover Documents, which were extremely difficult to understand due to the number of definitions and cross-references included in such documents, as well as the number of errors in such documents, that the number of shares Discover would be due and would continue to be due as a result thereof could result in 100% dilution to existing shareholders of Camber. Pursuant to Discover's interpretation of the agreements, Discover can continue to request

additional shares without limit – forever – until Camber's share value is non-existent and Camber is delisted from the NYSE ensuring its demise.

33. Discovery did not disclose that their unreasonable interpretations of the material terms of such Discover Documents would lead to triggering events, defaults, and exponential increases in the number of shares due to Discover, were not disclosed to Camber, prior to Camber agreeing to the terms of the transaction.

34. Because the terms of certain Irrevocable Instructions which were required by Discover to be signed by Camber's transfer agent, provide that Camber is unable to instruct its transfer agent to disregard any conversion notice provided by Discover, even if materially incorrect, and because they further allow Discover to provide conversion/exercise notices directly to the transfer agent, which the transfer agent is contractually obligated (pursuant to the terms of the Irrevocable Instructions) to process those instructions immediately, Camber currently has no remedy to address the disputes above with Discover.

35. **B: Overview of the Conversions and Sales**:

36. On October 7, 2016, Discover exercised the First Warrant in full and paid an aggregate of $4.5 million to Camber. On September 2, 2016, 53 shares of

Series C Preferred Stock were sold to Discover by Camber for $526,450. On November 17, 2016, the remaining 474 shares of Series C Preferred Stock were sold to Discover by Camber for $4,736,550.

37. Discover required Camber to agree that certain triggering events under the Discover Documents had occurred as of November 2016, in order to induce Discover to agree to purchase the additional shares of Series C Preferred Stock. Camber had no bargaining position at that time and was forced to agree to Discover's terms in order to raise much needed capital. The result of the triggering event confirmation, which was not based in fact or the Discover Documents, was that the interest rates and other terms of the Discover Documents became significantly more onerous for Camber and more beneficial for Discover. Camber was forced to agree to the triggering events under duress and would not have agreed to such terms if it was able to raise money through third parties, something which it was unable to do as a result of the precipitous decline in its stock price which was caused by Discover's continuous conversions/exercises of the Securities and sales of shares.

38. Each of the Securities are convertible or exercisable for shares of common stock of Camber, and include various conversion terms which are usurious, significantly dilutive to existing shareholders and unreasonable, and become

even more unreasonable when certain triggering events have occurred. Since October 7, 2016, Discover has requested Camber issue over 13.7 million shares of common stock of Camber under and pursuant to various Form S-1 and Form S-3 registration statements previously filed by Camber with the Securities and Exchange Commission ("***SEC***") and under Rule 144 of the Securities Act of 1933, as amended, in connection with the exercise of the Warrant and conversion of the Preferred Stock (collectively, the "***Shares***"). Notwithstanding the issuance of the Shares, the Securities continue to be convertible/exercisable for an astronomical number of additional shares.

39. By November 7, 2016, Camber had received a total of $10 million. Discover has compelled repayment at the expense of Camber and its shareholders believed to be in excess of $13.0 million, an amount that can continue to grow if unrestrained. Discover has converted/exercised 13.7 million shares and sold them over the last 6 months, which has depressed the price of Camber common stock from $2.34 per share on October 7, 2016 to less than $0.25 per share now. The original value of the converted/exercised shares would be in excess of $32.1 million dollars based on the prior trading price of Camber's stock.

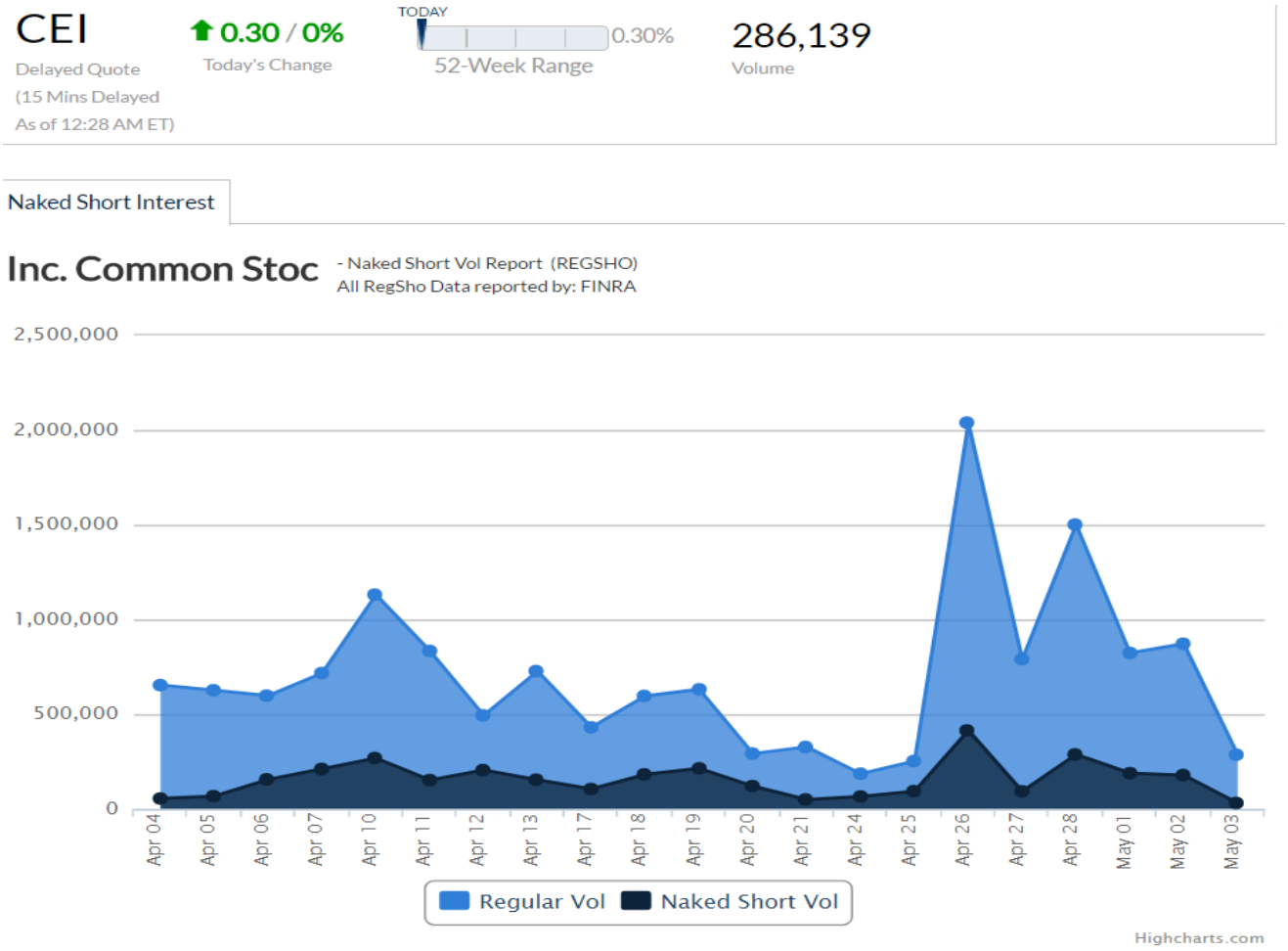
40. Camber currently has approximately 30 million shares outstanding as a result of Discover's conversions and exercises, which represents an increase of 88% compared to the approximately 16 million shares outstanding immediately prior to the first conversion/exercise by Discover of the Securities on October 7, 2016, which dilution is almost entirely caused by Discover's conversions/exercises.

41. Due to Discover's sales of shares and the resulting decreases in Camber's stock price, Camber has lost over $28.2 million dollars in market capitalization.

42. Based on information and belief, which Camber intends to follow up on in discovery, Discover is also shorting its stock, illegally, which allows Discover to further profit by the decrease in Camber's stock price (from over $2.60 in October 2016 to just below $0.25 as of the date of this Petition).

43. Discover has been clearing the Camber Shares through Fifth Third.

44. Specifically, Camber is aware, that pursuant to NakedShortReport (http://nakedshortreport.com/?index=CEI), Camber's common stock is one of the most heavily shorted stocks. The following chart demonstrates the unusual shorting activity.



45. Additionally, pursuant to NakedShortReport, there is a significant uptick in naked short volume immediately preceding the conversions/exercises by Discover which took place on April 11, 2017 and April 26, 2017. Due to this, and based on information and belief, which Camber intends to follow up on in discovery, Camber believes that Discover is illegally naked short selling Camber's common stock.

46. **C: Overview of the Disputed Discover Document Provisions**:

47. Camber currently disputes Discover's interpretation of several key terms of the Discover Documents, including provisions in each of the Securities which provide for extensions of the time period designated for Discover's anti-dilution rights (i.e., the provisions which adjust, retroactively, the conversion price of the Securities when the price of Camber's common stock falls). These provisions are creating the most dilution to Camber shareholders and providing the most benefit to Discover, as they allow, pursuant to Discover's interpretation of those provisions, a never ending right for Discover to receive additional shares of Camber common stock. Camber contends that Discover's interpretation of those provisions are without merit and that the period for adjustment of the number of shares due to Discover for several of the Securities has already expired, due to the fact that those provisions of the Discover Documents include references to sections of such documents which either (a) do not exist; or (b) provide for no rights or requirements which are applicable to the terms of the provisions as interpreted by Discover. Camber has previously attempted to address these issues with Discover; however, Camber's concerns have been brushed off by Discover and Discover has

refused to consider Camber's interpretation of the provisions or further discuss them with Camber.

48. Specifically, all of the Securities have nearly identical terms, which in summary provide:

- Discover the right to convert the principal amount of the Security (for the Debenture the $530,000 face amount, for the Warrant, the $4.5 million exercise price (issuable for 1,384,616 shares) and for the Preferred Stock, the $4.5 million purchase price) into common stock of Camber at a fixed conversion rate - $3.50 per share for the Debenture; $3.25 per share for the Warrant; and $3.25 per share for the Preferred Stock. Those amounts are fixed.

- That interest accrues on each Security (called a Conversion Premium in the Securities), payable upon conversion or early repayment, equal to the amount of 'interest' (Conversion Premium) which would be due on the principal amount of the Security (described in the paragraph above) based on the Interest Rate (described below) for a full seven years (the "***Conversion Premium***"). This 'interest' is due no matter when the Security is converted or repaid. In effect Discover receives seven years of interest day one that each Security is outstanding.

- The "***Interest Rate***" (called the Premium Rate in the Warrant and Dividend Rate in the Preferred Stock), starts off as 6% per annum for each Security and adjusts as described below, up to 24.95% per annum, if there is no Trigger Event (as defined below) and up to 34.95% per annum, if there is a Trigger Event (the Interest Rate adjusts upward by 10% automatically upon the occurrence of a Trigger Event). The Interest Rate adjusts upward by 1% for each $0.10 that the volume weighted average price of Camber's common stock falls below $2.75 per share (there is also a possible adjustment downwards in the Interest Rate if the stock rises above $3.75, but of course that will never happen as long as Discover continues to convert and sell). The Interest Rate is fixed for the Warrant when exercised (Discover claims it was 17% when exercised [i.e., Discover was due seven full years of interest on the $4.5 million principal amount of the Warrant immediately when exercised with interest at 17% per annum – an immediate 119% return on their original investment (17% per year, multiplied by seven years), without factoring in the conversion terms described below], which includes a Trigger Event, which Camber disputes as described below, versus only 7% if no Trigger Event occurred), but continues to adjust for the Debenture and Preferred Stock until converted.

As Camber's stock price is currently approximately $0.25 per share, the Interest Rate on the Debenture and Preferred Stock has increased from 6% initially (16% factoring in the Trigger Event which Discover claims has occurred), to the full 24.95% (34.95% with the Trigger Event), as the stock has fallen by more than $2.40 (more than 24 times $0.10) in value. This represents an immediate 245% return on Discover's original investments (34.95% per year, multiplied by seven years) in connection with the Debenture and Preferred Stock (without factoring in the conversion rights described below).

- The Conversion Premium of each Security is convertible into common stock of Camber at a discount (thereby further increasing the effective interest rate of each Security). Specifically, the conversion rate of the Conversion Premium is equal to 95.0% of the average of the 5 lowest individual daily volume weighted average prices (VWAP) of Camber's common stock during the applicable Measurement Period (described below)(not to exceed the lowest sales price on the last day of the Measurement Period) less $0.05 per share, if no Trigger Event (described below) has occurred and 85.0% of the lowest VWAP during any Measurement Period (not to exceed 85.0% of the lowest sales price on the

last day of any Measurement Period), less $0.10 per share, if a Trigger Event has occurred. As such, as the VWAPs of Camber's common stock decrease as the conversion price decreases, Discover is due more and more shares. For the Warrant in particular this retroactive adjustment means that the number of shares Discover is due only goes up even as Discover is issued more shares which are then sold further decreasing Camber's stock price. Note that the share price not only declines due to sales by Discover, but also just due to dilution associated with the conversions (all things being equal one would expect the market capitalization (total shares outstanding x stock price) to remain consistent over time and as such as the number of outstanding shares increases with conversions it follows that the stock price should decline). Note also that the $0.05 and $0.10 discounts become more and more extreme as Camber's stock price decreases. For example, at $0.30 per share, the $0.10 discount represents a full 33.3% of the trading price, which percentage only increases as Camber's stock price decreases.

- The "***Measurement Period***" is the period beginning, if no Trigger Event has occurred, 30 trading days (if a Trigger Event has occurred 60 trading days), before the Notice Date (which is not defined in any of the Discover

Documents, but was meant to refer to the first exercise or conversion of the Security), and ending, if no Trigger Event has occurred, 30 trading days (or 60 days, if a Trigger Event has occurred) after the number of shares stated in the initial conversion/exercise notice have actually been received into Discover's designated brokerage account in electronic form and fully cleared for trading. In effect, Discover is provided a true-up whereby Camber has to issue additional shares if its stock price declines between the period during which Discover exercises/converts its Securities and sells shares (which continues for 30/60 days thereafter). Notwithstanding the above, for each day during the Measurement Period on which less than all of the conditions set forth in Section I.G.6.h (of each Security) exist (note this is the exact wording from each Security, referring to a Section I.G.6.h), 1 trading day is added to what otherwise would have been the end of the Measurement Period. As a result, in the event the conditions set forth in Section I.G.6.h are not in compliance, the Measurement Period continues indefinitely and the conversion price continues to adjust downward (and the number of shares Discover is due continues to adjust upward) as Camber's stock price declines. Again, this continues forever (subject to the

balance of the Debenture and number of Preferred Stock shares decreasing slightly as those Securities are converted).

49. Notwithstanding the above, there is no Section I.G.6. or Section I.G.6.h in the Warrant (the document skips from Section I.G.5 to I.G.7), no Section I.G.6.h in the Preferred Stock designation and a Section I.G.6.h in the Debenture which does not include any relevant conditions. As such, Camber contends that instead of continuing indefinitely, the Measurement Period expires 30 (or 60, depending on whether a Trigger Event occurred) trading days after Discover receives the full amount of shares they are due pursuant to their initial conversion/exercise notices under the Warrant, Preferred Stock and Debenture, which dates for the Warrant and Preferred Stock have already passed and which date for the Debenture began counting down on or around April 21, 2017. To date, Discover has failed to agree with this common sense interpretation of the terms of the Securities and instead insists that the references to Section I.G.6.h were meant to refer to various other sections of the Securities which define certain unreasonable and one-sided 'Equity Conditions' which Discover alleges are required to be met by Camber. Certain of those 'Equity Conditions' are impossible to cure and therefore, again, will result in the Measurement Period continuing forever. Those conditions

include a price above $1.50 per share – due to Discover's selling, the price will never go above $1.50 per share as long as Discover continues to sell and which is impossible for Camber to cure with the continuous conversions/exercises and sales by Discover.

50. "***Trigger Events***" under the Securities (which increase the Interest Rate and extend the Measurement Period), include: if Camber does not for any reason timely comply with the reporting requirements of the Securities Exchange Act of 1934, including without limitation timely filing when first due all periodic reports. Discover has previously alleged that because Camber's Annual Report on Form 10-K (the "***Form 10-K***") for the year ended March 31, 2016, was not in Discover's interpretation, 'filed when first due' – we note that Camber filed a Form 12b-25 filing with the Securities and Exchange Commission (SEC) which provides an automatic 15 day extension of the filing date and thereafter filed the Form 10-K within the timeline required by the SEC – that a Trigger Event occurred under the Debenture and Warrant (which were both issued and outstanding as of that date) ***AND*** the Preferred Stock, which designation relating thereto wasn't even filed with the Secretary of State of Nevada until August 25, 2016 (the Form 10-K was filed on July 13, 2016) and which Preferred Stock held by Discover wasn't issued until

after that date, even though such Preferred Stock was not outstanding as of the date the Form 10-K was, in Discover's interpretation, not 'filed when first due' and even though the security representing the Preferred Stock was not filed or issued until well after such date. The Form 10-K was originally due on June 29, 2016, but pursuant to the Form 12b-25 extension provided by the SEC, was not due until extended, until July 14, 2016.

51. Camber disputes the occurrence of a Trigger Event because it believes all of its periodic reports were filed 'when first due' when including SEC allowed and customary filing date extensions – i.e., Camber has not filed a late report with the SEC – but also because the Preferred Stock was not issued or outstanding when the purported Trigger Event claimed by Discover occurred – at a minimum no Trigger Event occurred under the Preferred Stock in connection with the Form 10-K not being 'filed when first due' since that Security was not issued until after that event.

52. Again, because the terms of certain Irrevocable Instructions which were required by Discover to be signed by Camber's transfer agent, provide that Camber is unable to instruct its transfer agent to disregard any conversion notice provided by Discover, even if materially incorrect, and because the transfer agent is contractually obligated to process immediately, Camber

currently has no remedy to address the disputes above with Discover. Discover has further failed to cease converting the Securities until an understanding regarding the interpretation of those provisions of the Discover Documents can be reached. In the event the terms of the Discover Documents were appropriately enforced – Discover would be due significantly less shares of Camber than it currently claims are due, and Camber's shareholders would be subject to significantly less future dilution.

53. **D: The Bottom Line**:

54. The catastrophic effect of the Discover Documents is so devastating that the Discover Documents are prima facia unconscionable. The Discover Documents are opposed to public policy in that they will permit Discover to strip Camber of its value and business well beyond the simple repayment of its debt. Furthermore, the Discover Documents harm the shareholders of Camber who have had to deal with continual decreases in the value of their securities.

55. All conditions precedent to the causes of action have been performed or have occurred or have been done.

56. **ARBITRATION CLAUSE UNCONSCIONABILITY**:

57. The arbitration provision is substantively unconscionable. To the extent this assertion is a factual claim and/or legal claim it shall be so construed. The Supreme Court has held that the Federal Arbitration Act 9 U.S.C. §4 requires courts – not arbitrators – to address any challenge to the arbitration clause itself. *Buckeye Check Cashing, Inc. v. Cardegna*, 546 U.S. 440, 445, 126 S.Ct. 1204, 163 L.Ed.2d 1038 (2006).

58. The test for substantive unconscionability is whether, "…the clause involved is so one-sided that it is unconscionable under the circumstances existing when the parties made the contract." *In re FirstMerit Bank*, 52 S.W.3d 749, 757 (Tex.2001).

59. The ultimate issue of whether an arbitration agreement is against public policy or unconscionable is a question of law for the court. See *In re Poly-Am., L.P.*, 262 S.W.3d 337, 349 (Tex. 2008); *J.M. Davidson, Inc. v. Webster*, 128 S.W.3d 223, 229 (Tex.2003).

60. The arbitration provision in the Discover Documents reads: "H. Arbitration. Any dispute, controversy, claim or action of any kind arising out of, relating to, or in connection with this Agreement, or in any way involving Company

and Investor or their respective Affiliates, including any issues of arbitrability, will be resolved solely by final and binding arbitration in English before a retired judge at JAMS International, or its successor, in the Territory of the Virgin Islands, pursuant to the most expedited and Streamlined Arbitration Rules and procedures available. Any interim or final award may be entered and enforced by any court of competent jurisdiction. The final award will include the prevailing party's reasonable arbitration, expert witness and attorney fees, costs and expenses. Notwithstanding the foregoing, Investor may in its sole discretion bring an action in the U.S. District Court for the District of Nevada or the Middle District of Florida in addition to, in lieu of, or in aid of arbitration." (Emphasis added).

61. "We have recognized that an arbitration agreement may be illusory if a party can unilaterally avoid the agreement to arbitrate. *See J.M. Davidson, Inc. v. Webster*, 128 S.W.3d 223, 230 & n. 2 (Tex.2003)." *In re Palm Harbor Homes, Inc.*, 195 SW 3d 672, 677 (Tex. 2006).

62. "An arbitration agreement is illusory if it binds one party to arbitrate, while allowing the other to choose whether to arbitrate." *Royston, Rayzor, Vickery, Williams v. Lopez*, 467 SW 3d 494, 505 (Tex. 2015).

63. The Fifth Circuit recognized that the "…one-sidedness of the duty to arbitrate raises a serious question as to the clause's validity." *Iberia Credit Bureau, Inc. v. Cingular Wireless LLC*, 379 F.3d 159, 169 (5th Cir. 2004). Further, the Court wrote "On the contrary, the offensive provision here is the sentence in which the customer, but not Centennial, is required to arbitrate. Saving the clause would require not that we excise an invalid excrescence and then send the pared-down contract to arbitration but that we redraft the contract to add important new material — a duty on Centennial's part to arbitrate. The severability clause therefore cannot accomplish the needed repair." *Iberia Credit Bureau*, 379 F.3d at 171.

64. **CAUSES OF ACTION**:

65. **FIRST CLAIM – FRAUDULENT MISREPRESENTATION (AS TO DISCOVER)**:

66. Camber realleges and incorporates by reference paragraphs 1 through 63 above as though fully set forth herein.

67. Discover made false and fraudulent material misrepresentations and misleading statements of fact to Camber concerning the nature of Discover, its relationship with Ironridge, the identity of the Principals of both Ironridge and Discover, the nature of the transaction suggested by Discover.

68. The misrepresentations were conveyed to Camber by Brendan O'Neil on behalf of Discover.

69. At the time the statements and representations were made, Discover was aware of the falsity of the representations.

70. Discover made the misrepresentations with the intent to deceive Camber, and with the intent that Camber would rely on the misrepresentations and therefore enable Discover to continuously convert and sell Camber shares.

71. Camber, however, relied on the misrepresentations and did not discover the scheme until well after the Discover Documents were executed by Schnur.

72. Discover's actions were fraudulent, malicious and done willfully, in conscious disregard of the rights of Camber, in that the actions were calculated to injure Camber. As such, Camber is entitled to recover, in addition to actual damages, exemplary damages in an amount to be determined at trial to punish Discover and deter future misconduct.

73. **SECOND CLAIM – FRAUD BY NONDISCLOSURE (AS TO DISCOVER)**:

74. Camber realleges and incorporates by reference paragraphs 1 through 72 above as though fully set forth herein.

75. Discover made false and fraudulent material misrepresentations of fact to Camber; specifically, false and misleading statements and representations concerning the nature of Discover, its relationship with Ironridge, the identity of the Principals of both Ironridge and Discover, and the nature of the transaction suggested by Discover. Specifically, Discover failed to notify Camber of its relationship to Ironridge and the prior claims raised by the SEC in connection with the Order, which if known to Camber prior to the date the Discover Documents were entered into would have resulted in Camber never entering into such Discover Documents.

76. The misrepresentations were conveyed to Camber by Brendan T. O'Neil on behalf of Discover.

77. At the time the statements and representations were made, Discover was aware of the misrepresentations.

78. Discover made the misrepresentations with the intent to deceive Camber, and with the intent that Camber would rely on the misrepresentations and therefore enable Discover to continuously convert and sell Camber shares.

79. Camber, however, relied on the misrepresentations and did not discover the scheme until well after the Discover Documents were executed by Schnur.

80. Discover's actions were fraudulent, malicious and done willfully, in conscious

disregard of the rights of Camber, in that the actions were calculated to injure Camber. As such, Camber is entitled to recover, in addition to actual damages, exemplary damages in an amount to be determined at trial to punish Discover and deter future misconduct.

81. **THIRD CLAIM – CIVIL CONSPIRACY (AGAINST ALL DEFENDANTS)**:

82. Camber realleges and incorporates by reference paragraphs 1 through 80 above as though fully set forth herein.

83. On or about October 7, 2016, and continuing thereafter, Defendants, and each of them combined, confederated, agreed and conspired to unlawfully convert and sell Camber shares in furtherance of the fraud alleged in this petition.

84. All of the Defendants had a meeting of the minds on their course of action which involved overt acts to further their objective to deprive Camber of its value and financial opportunities.

85. Camber sustained damages in the amount of approximately $67.6 million – consisting of $28.2 million in lost market cap and $39.4 million in lost projects.

86. **FOURTH CLAIM – USURY (AS TO DISCOVER)**:

87. Camber realleges and incorporates by reference paragraphs 1 through 85 above as though fully set forth herein.

88. While there are no specific usury rules or legislation under Cayman law, if the levels of payments arising under a loan/finance agreement are considered by a Cayman court to be penal in nature, they will be deemed unenforceable under Cayman law.

89. By November 7, 2016 Camber had received a total of $10 million. Discover has compelled repayment at the expense of Camber and its shareholders believed to be in excess of $13.0 million, an amount that can continue to grow if unrestrained. Discover has converted/exercised 13.7 million shares and sold them over the last 6 months, which has depressed the price of Camber's common stock from $2.34 per share on October 7, 2016 to less than $0.25 per share now. The original value of the converted/exercised shares would be in excess of $32.1 million dollars based on the prior trading price of Camber's stock.

90. As Discover sells the shares it receives from Camber upon the conversion/exercise of the Securities, those sales trigger stock price decreases and as a result, increases in the number of shares Discover is due upon future

conversion/exercise of the Securities. Since conversions/exercises by Discover have begun, each successive conversion/exercise of the Securities and sale of shares of common stock of Camber received in connection therewith, has caused the price of Camber's stock to decrease, which have on average, forced an increase in the number of shares Discover is due.

91. The conversions ,have not only increased the number of shares due to Discover to a value equal to the amount owed prior to the conversion/exercise, but have actually led to a requirement to issue a number of shares higher than the amount due prior to the conversion/exercise which was just completed. The conversions thus create a situation where every issuance to Discover creates a need for Camber to issue exponentially more shares than was due prior to the conversion/exercise, instead of less. For example, on October 27, 2016, Discover requested 920,000 shares of common stock from the total shares due in connection with the prior exercise of the Warrant by Discover (when Discover exercised the Warrant in full on October 7, 2016, it was due all 1,384,616 shares issuable in connection therewith and an ever increasing number of shares for the Conversion Premium, but has only been requesting that number of shares of Camber common stock, from time to time, which totals no more than 4.99% of Camber's outstanding common stock, with the

remaining shares held in abeyance until requested by Discover), which at that time totaled 6,385,083 shares (1,384,616 shares in connection with the exercise of the Warrant and 5,000,467 shares for the $5,355,000 Conversion Premium that Discover alleged was due, including certain shares previously issued to Discover). After Discover sold those 920,000 shares which it was issued on October 27, 2016, the price of Camber's common stock declined in value and at the time of Discover's November 14, 2016 request for additional shares, Discover alleged it was then due an aggregate of 9,107,431 shares of common stock (1,384,616 shares in connection with the exercise of the Warrant and 7,722,815 shares for the $5,355,000 Conversion Premium that Discover alleged was due, including certain shares previously issued to Discover), which represented an increase of 2,722,348 shares of common stock compared to the number due as of October 27, 2016. Put another way, by Discover requesting shares, which were then sold into the market place, and decreased the price of Camber's common stock, Discover actually came out ahead in that it was due an additional 2,722,348 more shares, which based on a closing price of $0.99 per share on November 14, 2016 were worth an additional $2,722,348. Virtually every time Discover receives shares in connection with the conversion/exercise of the Securities and sells the shares,

the number of shares Discover is due actually increases by more than the value of the shares issued, and Discover increases its total return on investment. Discover is in a no lose situation.

92. As such, Discover has a never ending right to receive additional shares of Camber common stock and can, as long as Camber stays in business and its common stock continues to trade, receive an infinite return on its investment.

93. An infinite return on investment is clearly, in every sense of the definition of usury, an excessive and abusive return on investment, and creates a situation where the Securities are so extremely unjust and overwhelmingly one-sided in favor of Discover, that they are contrary to good conscience.

94. The possible infinite return on Discover's investment, at the expense of Camber's stockholders, who will suffer almost complete dilution, and who will see the value of their securities decline to nothing, if the terms of the Securities as interpreted by Discover are allowed to stand, are unconscionable, and will quickly lead to Camber losing its listing with the NYSE MKT and being forced into bankruptcy, with no way to raise additional funding through the sale of securities, or utilize securities for acquisitions, and no good will left from shareholders who continually witness Camber's stock price declining in value.

95. Due to Discover's sales of shares and the resulting decreases in Camber's stock price, Camber has lost over $28.2 million dollars in market capitalization. Camber has been injured in its business and/or property and has been damaged in the amount of approximately $67.6 million – consisting of $28.2 million in lost market cap and $39.4 million in lost projects.

96. **FIFTH CLAIM – UNJUST ENRICHMENT (AGAINST ALL DEFENDANTS)**:

97. Camber realleges and incorporates by reference paragraphs 1 through 95 above as though fully set forth herein.

98. It would be inequitable for Discover to be allowed to retain the benefit of the Securities it converted and sale of Camber stock.

99. Camber is therefore entitled to restitution and disgorgement from Defendants.

100. **SIXTH CLAIM – 10b-5 VIOLATIONS (AS TO DISCOVER)**:

101. Camber realleges and incorporates by reference paragraphs 1 through 99 above as though fully set forth herein.

102. The conduct of Discover violates SEC Rule 10b-5 (promulgated under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***")). Rule 10b-5: Employment of Manipulative and Deceptive Practices: "It shall be unlawful for any person, directly or indirectly, by the use of any means or

instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, (a) To employ any device, scheme, or artifice to defraud, (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security."

103. Discover directly and indirectly used the means and instrumentalities of interstate commerce, the mails and/or interstate wires in connection with their scheme to defraud and manipulate as set forth above.

104. Discover employed devices, schemes and artifices to defraud and to manipulate Plaintiff's stock price, made untrue statements of material fact, and omitted to state material facts necessary to make their statements not misleading, and engaged in acts, practices and a course of business that operated as a fraud and deceit upon the Plaintiff.

105. Discover was a primary participant in the wrongful and illegal conduct.

106. Discover acted with intent to deceive, manipulate and defraud the Plaintiff. Defendants acted with actual knowledge, or at a minimum severe recklessness, knowing that the omissions and statements referenced herein were false and misleading, and the failure to disclose material facts and make accurate representations as to its actual and intended plans and trading induced Camber to do business with Discover and to issue stock to Discover.

107. At the time of the misrepresentations and omissions alleged herein, Camber believed all statements and assurances made by Discover were true and was unaware of any of the omitted facts, such as Discover's intent to manipulate Camber's stock as alleged in this pleading. Had Camber known the full facts, Camber would never have entered into the Discover Documents with Discover.

108. As a direct and proximate result of the wrongful conduct of Discover, Camber suffered damages and is consequently entitled to all relief available under the Exchange Act, including compensatory damages against Discover for all damages suffered as a result of Discover's wrongdoing, in an amount to be proven at trial, with interest thereon; the costs and expenses of this action; and other relief which the Court may find just, appropriate or legally warranted.

109. **SEVENTH CLAIM – DECLARATORY JUDGMENT**:

110. Camber realleges and incorporates by reference paragraphs 1 through 108 above as though fully set forth herein.

111. Camber, as an entity interested in a writing, seeks to settle and obtain relief from uncertainty with respect to rights, status and other legal relations between Camber and Discover. Specifically, Camber is seeking a declaration that the Discover Documents are void as the agreements are opposed to public policy and should be declared void.

112. Alternatively, Camber seeks a declaratory judgment that:

A. No Trigger Event has occurred under the Debenture, Warrant or Preferred Stock to date;

B. The Premium Rate (i.e., the interest rate) of the Warrant is fixed at 7% (i.e., that because no Trigger Event occurred, the 10% automatic increase in the Premium Rate (i.e., the interest rate) alleged by Discover never occurred.

C. Because no Trigger Event occurred, the conversion rate of the Conversion Premium of each of the Securities is (and has always been) 95.0% of the average of the 5 lowest individual daily volume weighted

average prices (VWAP) of Camber's common stock during the applicable Measurement Period.

D. The Measurement Period for each of the Securities begins 30 trading days before the first exercise or conversion of each Security, and extends to 30 trading days after, the number of shares stated in the initial conversion/exercise notice provided by Discover for the first conversion/exercise of each Security by Discover, have actually been received into Discover's designated brokerage account in electronic form and fully cleared for trading.

E. Each reference in the definition of Measurement Period of each of the Securities to a Section I.G.6.h of each of the Securities (which sections either do not exist or refer to sections which are nonsensical), has no meaning or effect on the length of the Measurement Period.

F. The references in the definition of Trigger Event of each Security to "timely filing when first due all periodic reports", means filing each periodic report within the time period required by the SEC, including accounting for any time extension allowed pursuant to SEC Form 12b-25.

G. Because no Trigger Event occurred under the Debenture prior to the closing of the acquisition of assets contemplated by that certain Asset Purchase Agreement dated December 30, 2015 between Camber and the sellers named therein, as disclosed in the current report on Form 8-K filed by Camber with the SEC on December 31, 2015 (defined as the "***Acquisition***" in the Debenture), which transaction closed on August 25, 2016, the Conversion Premium and other conversion terms of the Debenture were locked as of the date of the Acquisition and the Debenture was automatically converted into Camber's common stock on such date pursuant to the automatic conversion terms of the Debenture (Section G.8. thereof).

113. **EXEMPLARY DAMAGES**:

114. Through their above described conduct, the Defendants acted with fraud, malice or gross negligence, and as such are liable to Camber for exemplary damages. Camber requests exemplary damages in an amount to be determined by the trier of fact.

115. **INJUNCTIVE RELIEF**:

116. **Irreparable Harm/Inadequate Remedy at Law**

117. If Discover, its agents, subsidiaries, predecessors, successors, partners (both general and limited), officers, directors, employees, representatives, assigns, affiliates and anyone or any entity acting in concert with them are not restrained, directly or indirectly, from converting/exercising the Securities, selling Camber shares, and from shorting or pledging any Camber shares, Camber will continue to suffer immediate and irreparable harm as Camber's share price will decrease to the point Camber is delisted from the NYSE (namely, Camber's common stock will soon fail to comply with NYSE rules, which require a thirty day average closing price of at least $0.30 per share, no trades below $0.06 per share, and certain minimum market capitalization rules) and put out of business. Discover's conduct is destroying Camber's access to capital, its shareholders value in its securities and its ability to pursue its business plans.

118. Federal courts generally apply a two-step analysis. First, federal courts determine if there is (1) a likelihood of success on the merits, (2) a threat of irreparable harm, and (3) an inadequate remedy at law. If those conditions are

satisfied, the court must then (4) balance the hardships, and (5) consider the impact on public interest.

119. A plaintiff must establish four elements to secure a preliminary injunction: (1) a substantial likelihood of success on the merits, (2) a substantial threat of irreparable injury if the injunction is not issued, (3) that the threatened injury if the injunction is denied outweighs any harm that will result if the injunction is granted, and (4) that the grant of an injunction will not disserve the public interest. *Byrum v. Landreth*, 566 F.3d 442, 445 (5th Cir.2009); accord, e.g., *Wilson v. Office of Violent Sex Offender Mgmt.*, 584 Fed. Appx. 210, 212 (5th Cir.2014). An injunction is deemed an extraordinary remedy, *Douthit v. Dean*, 568 Fed. Appx. 336, 337 (5th Cir.2014); see also *Munaf v. Geren*, 553 U.S. 674, 689, 128 S. Ct. 2207, 2219, 171 L.Ed. 2d 1 (2008); *Anderson v. Jackson*, 556 F.3d 351, 360 (5th Cir.2009) (similarly characterizing a temporary restraining order), a preliminary injunction aims "to prevent irreparable injury so as to preserve ... [a] court's ability to render a meaningful decision on the merits," *Mississippi Power & Light Co. v. United Gas Pipe Line Co.*, 760 F.2d 618, 627 (5th Cir.1985) (citing to *Canal Auth. of Fla. v. Callaway*, 489 F.2d 567, 576 (5th Cir.1975)); accord, e.g., *United Food & Commercial Workers Union, Local 1099 v. Sw. Ohio Reg'l Transit Auth.*, 163

F.3d 341, 348 (6th Cir.1998); *United States v. Alabama*, 791 F.2d 1450, 1460 (11th Cir.1986) (adding that "[p]reliminary injunctive relief may be necessary to insure that a remedy will be available" at some future date).

120. By circumstance and necessity, in considering whether either a preliminary injunction or a temporary restraining order should issue, a court is "almost always" forced to rely upon "[an] abbreviated set of facts." *Klitzman, Klitzman & Gallagher v. Krut*, 744 F.2d 955, 958 (3d Cir.1984); accord *Texas v. Seatrain Int'l, S.A.*, 518 F.2d 175, 180 (5th Cir.1975)

121. In applying the four factor test, "none of the four prerequisites has a fixed quantitative value. Rather, a sliding scale is utilized, which takes into account the intensity of each in a given calculus." *Seatrain Int'l, S.A.*, 518 F.2d at 180. This often "requir[es] delicate balancing of the probabilities of ultimate success at final hearing with the consequences of immediate irreparable injury." *Klitzman*, 744 F.2d at 958;

122. Plaintiffs must establish a "substantial likelihood of success." This phrase has been defined in different ways. Compare 11A CHARLES A. WRIGHT et al., FEDERAL PRAC. & PROC. § 2948.3 (3d ed.) ("reasonable probability of success"), with Terex Corp. v. Cubex, Ltd., No. 3:06-CV-1649-G ECF, 2006 U.S. Dist. LEXIS 88863, at *7-8, 2006 WL 3542706, at *2 (N.D.Tex.

Dec. 7, 2006) ("more than negligible," and noting the existence of a debate regarding this element's extent among the various circuits and summarizing older Fifth Circuit case law); *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1131 (9th Cir.2011) ("Under ... [the sliding scale] approach 637*637 [employed in several circuits], the elements of the preliminary injunction test are balanced, so that a stronger showing of one element may offset a weaker showing of another.")

123. Still, at such an early stage, courts are not required "to draw the fine line between a mathematical probability and a substantial possibility of success." *Dataphase Sys. v. C L Sys.*, 640 F.2d 109, 113 (8th Cir.1981); accord, e.g., *KTM N. AM., INC. v. Cycle Hutt, Inc.*, No. 13-5033-JLV, 2013 U.S. Dist. LEXIS 67209, at *14, 2013 WL 1932797, at *5 (D.S.D. May 8, 2013). And none of the prerequisites for a preliminary injunction have "a fixed quantitative value." *Seatrain Int'l, S.A.*, 518 F.2d at 180; see also, e.g., *EnVerve, Inc. v. Unger Meat Co.*, 779 F.Supp.2d 840, 843 (N.D.Ill.2011) ("The sliding scale approach is not mathematical in nature, rather it is more properly characterized as subjective and intuitive, one which permits district courts to weigh the competing considerations and mold appropriate relief." (internal quotation marks omitted).

124. "'Irreparable' in the injunction context means not rectifiable by the entry of a final judgment." *Walgreen Co. v. Sara Creek Prop. Co*., 966 F.2d 273, 275 (7th Cir.1992).

125. **Probable Right to Relief Sought**.

126. Camber can establish a probable right to the relief sought because Discover is using the fraudulent Discover Documents to convert and sell virtually unlimited shares of Camber, a publicly traded company.

127. **Probable Injury**. Generally, a party seeking the issuance of a preliminary injunction must show it will suffer irreparable injury if the injunction does not issue and must show entitlement to the relief sought. A prima facie showing that the party will prevail on the merits of the case is sufficient to meet this requirement.

128. There is no question that if Discover continues converting/exercising the Securities and selling Camber shares, or continues to short or pledge Camber shares, Camber will continue to suffer immediate and irreparable harm as Camber's share values will decrease to the point Camber is delisted from the NYSE (namely, Camber's common stock will soon fail to comply with NYSE rules, which require a thirty day average closing price of at least $0.30 per

share, no trades below $0.06 per share, and certain minimum market capitalization rules) and put out of business. Discover's conduct is destroying Camber's access to capital, its shareholders value in its securities and its ability to pursue its business plans.

129. An irreparable injury is one which the injured party cannot be adequately compensated by damages, or the damages cannot be measured by a certain pecuniary standard. Injunctive relief is not to be denied solely on the existence of a remedy at law; the remedy must be as practical and efficient to the ends of justice as the equitable remedy.

130. Under these circumstances, Camber has demonstrated a probable right of recovery, imminent harm and irreparable injury. Unless immediate relief is granted, irreparable injury will certainly result.

131. Discover has already profited from the deception and fraud and thus no actual harm comes to Discover. Camber, on the other hand, risks complete devastation.

132. **TEMPORARY RESTRAINING ORDER AND PRELIMINARY INJUNCTION**:

133. For each of the reasons stated above and the facts set forth herein, Camber requests the entry of a temporary restraining order and, upon hearing, a

preliminary injunction enjoining Discover and Fifth Third, its agents, employees, subsidiaries, predecessors, successors, partners (both general and limited), officers, directors, employees, representatives, assigns, affiliates and anyone or any entity acting in concert with them from converting/exercising the Securities, selling Camber shares, and shorting or pledging Camber shares. Otherwise, Camber will continue to suffer immediate and irreparable harm as Camber's share values decrease to the point Camber is delisted from the NYSE and put out of business if such temporary restraining order and preliminary injunction are not granted. Discover's conduct is destroying Camber's access to capital, its shareholders value in its securities and its ability to pursue its business plans.

134. **Bond**

135. Camber is willing to post a bond in the amount determined by the Court.

136. Given the fact that Discover had already profited in the millions on this transaction, combined with the fact that Camber cannot raise any capital/equity without Discover's permission, a bond in this case should be less than $10,000.

137. Rule 65 allows a court to "issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained." FED. R. CIV. P. 65(c). This requirement, however, may be waived where the gravity of interest is great and no proper showing of a harm's likelihood or a probable loss is made. See, e.g., *Kaepa, Inc. v. Achilles Corp*., 76 F.3d 624, 628 (5th Cir.1996) ("In holding that the amount of security required pursuant to Rule 65(c) is a matter for the discretion of the trial court, we have ruled that the court may elect to require no security at all." (internal quotation marks omitted)); *City of Atlanta v. Metro. Atlanta Rapid Transit Auth*., 636 F.2d 1084, 1094 (5th Cir.1981) (same).

138. **ATTORNEY'S FEES**:

139. As a result of the Defendants' conduct, Camber has been required to engage legal counsel to prosecute this action. Camber has agreed to pay the attorney a reasonable fee for his services. Based upon one or more of the foregoing causes of action and/or as permitted under the law, Camber requests recovery of a reasonable and necessary attorney's fee in this cause.

140. **REQUEST FOR RELIEF**:

141. THEREFORE, Camber requests that Defendants be cited to appear and that upon final trial hereof the Court award Camber as follows:

A. judgment against Defendants for all actual damages, and if shown, consequential damages (including lost profits), special damages (including lost profits) and incidental damages, Camber seeks actual damages, consequential damages (including lost profits), special damages (including lost profits) and incidental damages as to each cause of action;

B. exemplary damages as allowed by law;

C. a temporary restraining order and a preliminary injunction as outlined above;

D. attorney's fees as allowed by law;

E. pre-judgment interest, if any, at the highest rate allowed by law, if any;

F. post-judgment interest, if any, at the highest rate allowed by law, if any;

G. costs of court; and

H. such other and further relief to which Camber may be entitled.

142. Respectfully submitted this 9th day of May 2017.

By: _____

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EXHIBIT "A"

AFFIDAVIT OF ANTHONY C. SCHNUR
IN SUPPORT OF PLAINTIFF'S PETITION AND
APPLICATION FOR TEMPORARY RESTRAINING ORDER

STATE OF TEXAS §
§
COUNTY OF HARRIS §

Before me, the undersigned notary, on this day, personally appeared Anthony C. Schnur, who, being by me duly sworn, did depose on his oath and state as follows:

"I, Anthony C. Schnur, am the Chief Executive Officer of Camber Energy, Inc. ("***Camber***"). I swear and affirm that the following statements are within my personal knowledge and are true, correct and accurate.

"Camber (formerly Lucas Energy) is a publicly-traded energy company that is actively engaged in the utilization, development, and production of crude oil, natural gas and natural gas liquids. Camber has a balanced asset base in Texas and Oklahoma.

"Prior to April 6, 2016, I had several discussions with Brendan T. O'Neil of Discover Growth Fund ("***Discover***") to discuss an investment by Discover in Camber.

"Unknown by me at the time, the principals of Discover were identical to those of Ironridge Global Partners, LLC ("***Ironridge***"), namely David Sims, Brendan T. O'Neil, John C. Kirkland and Keith R. Coulston (the "***Principals***"). Mr. Sims is listed as a Director of Discover and Mr. Brendan T. O'Neil, Keith R. Coulston and Mr. John C. Kirkland have participated in email correspondence with Camber from Discover with Discover email addresses (i.e., emails from the dgfunds.com domain), with Discover Growth Fund signature blocks and have further purported to act for and represent Discover on such emails.

"Also unknown by me at the time, Ironridge was subject to a June 23, 2015, SEC Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (the "***Order***"). The Order states that "[b]etween April 2011 through March 2014, Ironridge willfully violated Sections 15(a) and 20(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Global IV [a related entity] willfully violated Section 15(a) of the Exchange Act through Global IV's operation as an unregistered dealer by engaging in serial underwriting activity, providing related investment advice, and receiving and selling billions of shares in connection with self-described financing services for domestic microcap stock companies ("microcap issuers") explicitly designed to utilize the registration exemption contained in Section 3(a)(10) of the Securities Act of 1933 ("Securities Act")." The Order further states that "Global IV has willfully violated Section 15(a) of the Exchange Act, which prohibits a broker or dealer to effect transactions in any security without registering with the Commission . . . [and] Ironridge willfully violated Sections 15(a) and 20(b) of the Exchange Act".

"The SEC has aggressively continued its Administrative Proceeding against Ironridge. Based on information and belief, which Camber intends to follow up on in discovery, as of February 1, 2017, the proceeding has been stayed pending a settlement by the parties, which Camber believes may include sanctions against Ironridge and potentially its Principals. Notwithstanding the above, the allegations made by the SEC in the Order and the SEC's various pleadings are significant and raise issues regarding Discover's compliance with applicable law, the ability of Discover's Principals to buy and sell securities, the motives of Discover and its potential for illegal actions.

"On or about February 4, 2016, Camber entered into an agreement with a Placement Agent to raise capital/equity. The Placement Agent would receive a substantial commission if successful in raising the capital/equity. Shortly thereafter, the Placement Agent introduced Camber to a number of investment funds, including Discover. Camber also engaged securities counsel to review the Discover Documents based on the referral of its Placement Agent.

"On April 6, 2016, Camber entered into (i) a Securities Purchase Agreement with Discover, pursuant to which Camber sold Discover a redeemable convertible subordinated debenture, with a face amount of $530,000 (the "***Debenture***") and a warrant to initially purchase 1,384,616 shares of common stock (subject to adjustment thereunder) at an exercise price equal to $3.25 per share (the "***Warrant***") for $500,000; and (ii) a Stock Purchase Agreement, pursuant to which Camber agreed, among other things, subject to certain conditions, to sell up to 527 shares of Series C redeemable convertible preferred stock to Discover (the "***Preferred Stock***" and together with the Debenture and Warrant, the "***Securities***" and together with the Securities Purchase Agreement and Stock Purchase Agreement, the "***Discover Documents***").

"The Discover Documents attached as Exhibits "A-1" and "A-2" are true and correct copies of those documents which were signed by myself as Chief Executive Officer of Camber.

"Camber had a reasonable expectation that Discover, or its legal counsel or placement agent, would fully disclose the ambiguous nature of the Discover Documents. However, the material terms of such Discover Documents, the terms of which Discover knew based on their interpretation would lead to triggering events, defaults, and exponential increases in the number of shares due to Discover, were not disclosed to Camber, prior to Camber agreeing to the terms of the transaction.

"Discover hired Lewis Chong, a lawyer with the Cayman Island law firm of Harney Westwood & Riegels, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, Cayman Islands, KY1-1002, 1 345 949 8599 (phone).

"Unknown to Camber when the Discover Documents were executed, the practical effect of the Discover Documents was that Camber was obligated to issue Discover an infinite number of Shares, which when sold by Discover would result in not only extreme dilution to existing shareholders and a

decrease in the trading price of Camber's stock, but trigger further increases in the number of shares due to Discover due to the decline in trading price. Discover could continue to do this without limit – forever – until the Camber share value was non-existent and Camber was delisted from the NYSE ensuring its demise.

"In order to consummate the transaction to obtain a cash infusion, and at the urging of Discover, the Board of Directors of Camber reviewed the documents and approved Camber's entry into the Discover Agreements and I executed the Discover Documents.

"On October 7, 2016, Discover exercised the First Warrant in full and paid an aggregate of $4.5 million to Camber. On September 2, 2016, 53 shares of Series C Preferred Stock were sold to Discover by Camber for $526,450. On November 17, 2016, the remaining 474 shares of Series C Preferred Stock were sold to Discover by Camber for $4,736,550.

"Discover required Camber to agree that certain triggering events under the Discover Documents had occurred as of November 2016, in order to induce Discover to agree to purchase the additional shares of Series C Preferred Stock. Camber had no bargaining position at that time and was forced to agree to Discover's terms in order to raise much needed capital. The result of the triggering event confirmation, which was not based in fact or the Discover Documents, was that the interest rates and other terms of the Discover Documents became significantly more onerous for Camber and more beneficial for Discover. Camber was forced to agree to the triggering events under duress and would not have agreed to such terms if it was able to raise money through third parties, something which it was unable to do as a result of the precipitous decline in its stock price which was caused by Discover's continuous conversions/exercises of the Securities and sales of shares as well as the unknown total shares to be issued to Discover.

"Each of the Securities are convertible or exercisable for shares of common stock of Camber, and include various conversion terms which are usurious, significantly dilutive to existing shareholders and unreasonable. Since October 7, 2016, Discover has requested Camber issue a significant number of shares of common stock of Camber under and pursuant to various Form S-1 and Form S-3 registration statements previously filed by Camber with

the Securities and Exchange Commission ("***SEC***") in connection with the exercise of the Warrant and conversion of the Preferred Stock (collectively, the "***Shares***"). Notwithstanding the issuance of the Shares, the Securities continue to be convertible/exercisable for an astronomical number of additional shares.

"By November 7, 2016, Camber had received a total of $10 million. Discover has compelled repayment at the expense of Camber and its shareholders in excess of $12.8 million, an amount that can continue to grow if unrestrained. Discover has converted/exercised 13.7 million shares, a 100% increase over its outstanding share count prior to the conversion of Discover shares, and sold them over the last 6 months depressing the price of Camber common stock from $2.34 per share on October 7, 2016 down to less than $0.30 per share now. The original value of the converted/exercised shares would be in excess of $32.1 million dollars based on the prior trading price of Camber's stock.

"The Discover Documents were drafted in such a way as to obscure the hidden intent of the terms of such documents and the total number of shares of common stock that could be issuable by Camber thereunder. The Discover Documents include numerous cross references and defined terms, many of which are subject to multiple interpretations. Only after signing the documents did I learn that Discover's reading of the Discover Documents was that the terms that applied were the strictest and most Camber unfriendly interpretation possible. Despite attempts to remedy these differing interpretations, Discover has refused to relent.

"Had Discover acted in good faith, and/or had Discover not concealed the fact that the actual terms of the Discover Documents were punitive to Camber, Camber would have never entered into such agreements or agreed to their terms.

"Due to Discover's sales of shares and the resulting decreases in Camber's stock price, Camber has lost over $28.2 million dollars in market capitalization. Camber has been injured in its business and/or property and has been damaged in the amount of approximately $67.6 million – consisting of $28.2 million in lost market cap and $39.4 million in lost projects.

"Camber's stock price has gone from over $2.60 in October 2016 to just above $0.30 as of the end of April 2017.

"Camber currently disputes Discover's interpretation of several key terms of the Discover Documents, including provisions in each of the Securities which provide for extensions of the time period designated for Discover's anti-dilution rights (i.e., the provisions which adjust, retroactively, the conversion price of the Securities when the price of Camber's common stock falls). These provisions are creating the most dilution to Camber shareholders and providing the most benefit to Discover, as they allow, pursuant to Discover's interpretation of those provisions, a never ending right for Discover to receive additional shares of Camber common stock. Camber contends that Discover's interpretation of those provisions are without merit and that the period for adjustment of the number of shares due to Discover for several of the Securities has already expired, due to the fact that those provisions of the Discover Documents include references to sections of such documents which either (a) do not exist; or (b) provide for no rights or requirements which are applicable to the terms of the provisions as interpreted by Discover. Camber has previously attempted to address these issues with Discover; however, Camber's concerns have been brushed off by Discover and Discover has refused to consider Camber's interpretation of the provisions or further discuss them with Camber. Additionally, because the terms of certain Irrevocable Instructions which Camber was forced to sign, and which were also required by Discover to be signed by Camber's transfer agent, provide that Camber is unable to instruct its transfer agent to disregard any conversion notice provided by Discover, even if materially incorrect, and because they further allow Discover to provide conversion notices directly to the transfer agent, which the transfer agent is contractually obligated (pursuant to the terms of the Irrevocable Instructions) to process immediately, Camber currently has no remedy to address the disputes with Discover. Discover has further failed to cease converting the Securities until an amicable understanding regarding the interpretation of those provisions of the Discover Documents can be reached. In the event the terms of the Discover Documents were appropriately enforced Discover would be due significantly less shares of Camber than it currently claims are due, and Camber's shareholders would be subject to significantly less future dilution.

"Discover has been clearing the Shares through Fifth Third Securities, Inc. ("***Fifth Third***") and National Finance.

"If Discover and Fifth Third, their agents, subsidiaries, predecessors, successors, partners (both general and limited), officers, directors, employees, representatives, assigns, affiliates and anyone or any entity acting in concert with them are not restrained, directly or indirectly, from converting/exercising the Securities, selling Camber shares, and from shorting or pledging any Camber shares, Camber will continue to suffer immediate and irreparable harm as Camber's share price will decrease to the point Camber is delisted from the NYSE (namely, Camber's common stock will soon fail to comply with NYSE rules, which require a thirty day average closing price of at least $0.30 per share, no trades below $0.06 per share, and certain minimum market capitalization rules) and Camber will be put out of business. Discover's conduct is destroying Camber's access to capital, its shareholders value in its securities and its ability to pursue its business plans."

Anthony C. Schnur

SUBSCRIBED AND SWORN TO BEFORE ME on this 5th day of May 2017.

Notary Public in and for
THE STATE OF TEXAS

MARGARET ABIGAIL CHANDLER-CALHOUN
Notary Public, State of Texas
Comm. Expires 02-26-2020
Notary ID 126009326

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement ("**Agreement**") is made and entered into on April 6, 2016 ("**Effective Date**"), by and between Lucas Energy, Inc., a Nevada corporation ("**Company**"), and the investor whose name appears on the signature page hereto ("**Investor**").

Recitals

A. The parties desire that, upon the terms and subject to the conditions herein, Investor will purchase $5 million in Securities of Company, including a Debenture which is convertible into shares of Common Stock at $3.25 per share, and a Warrant to purchase shares of Common Stock at a strike price of $3.25 per share; and

B. The offer and sale of the Securities provided for herein are being made pursuant to the exemptions from registration under Section 4(a)(2) of the Act as a transaction by an issuer not involving any public offering, and as an offshore private placement of restricted securities pursuant to Regulation S and Rule 506 of Regulation D.

Agreement

In consideration of the foregoing, the receipt and adequacy of which are hereby acknowledged, Company and Investor agree as follows:

I. **Definitions**. In addition to the terms defined elsewhere in this Agreement and the Transaction Documents, capitalized terms that are not otherwise defined have the meanings set forth in the Glossary of Defined Terms attached hereto as **Exhibit 1** or the other Transaction Documents.

II. **Purchase and Sale**.

A. **Debenture**. Subject to the terms and conditions herein and the satisfaction of the conditions to Closing set forth below, Investor hereby irrevocably agrees to purchase a $530,000.00 face amount Debenture at a 5.0% original issue discount ("**OID**") for the sum of $500,000.00 ("**Purchase Amount**").

B. **Deliveries**. The following documents will be fully executed and delivered at the Closing:

1. Redeemable Convertible Subordinated Debenture ("**Debenture**"), in the form attached hereto as **Exhibit 2**;

2. Transfer Agent Instructions, in the form attached hereto as **Exhibit 3**;

3. Legal Opinion, in the form mutually agreed prior to the Effective Date;

4. Officer's Certificate, in the form attached hereto as **Exhibit 4**;

5. Secretary's Certificate, in the form attached hereto as **Exhibit 5;** and

6. Common Stock Purchase Warrant ("**Warrant**"), in the form attached hereto as **Exhibit 6**.

C. Closing Conditions. The consummation of the transactions contemplated by this Agreement ("**Closing**") is subject to the satisfaction of each of the following conditions:

1. All documents, instruments and other writings required to be delivered by Company to Investor pursuant to any provision of this Agreement or in order to implement and effect the transactions contemplated herein have been fully executed and delivered, including without limitation those enumerated in **Section II.B** above;

2. The Common Stock is listed for and currently trading on the same or higher Trading Market and, subject to **Section IV.L** below, Company is in compliance with all requirements to maintain listing on the Trading Market, and there is no notice of any suspension or delisting with respect to the trading of the shares of Common Stock on such Trading Market;

3. The representations and warranties of Company and Investor set forth in this Agreement are true and correct in all material respects as if made on such date (except for representations and warranties expressly made as of a specified date, which will be true as of such date);

4. No material breach or default has occurred under any Transaction Document or any other agreement between Company and Investor;

5. Company has the number of duly authorized shares of Common Stock reserved for issuance as required pursuant to the terms of this Agreement;

6. There is not then in effect any law, rule or regulation prohibiting or restricting the transactions contemplated in any Transaction Document, or requiring any consent or approval which will not have been obtained, other than Approval, nor is there any completed, pending or, to Company's knowledge, threatened or contemplated proceeding or investigation which may have the effect of prohibiting or adversely affecting any of the transactions contemplated by this Agreement, including without limitation the sale, issuance, listing, trading or resale of the Conversion Shares on the Trading Market; no statute, rule, regulation, executive order, decree, ruling or injunction will have been enacted, entered, promulgated or adopted by any court or governmental authority of competent jurisdiction that prohibits the transactions contemplated by this Agreement, and no actions, suits or proceedings will be completed, in progress, pending or, to Company's knowledge, threatened or contemplated by any person other than Investor or any Affiliate of Investor, that seek to enjoin or prohibit the transactions contemplated by this Agreement;

7. Company will have received preliminary approval from NYSE MKT to list the Conversion Shares; and

8. Any rights of first refusal, preemptive rights, rights of participation, or any similar right to participate in the transactions contemplated by this Agreement, if any, have been waived in writing.

D. Closing. Immediately when all conditions set forth in **Section II.C** have been fully satisfied, Company will issue and sell to Investor and Investor will purchase the Debenture by payment to Company of $500,000.00 in cash, by wire transfer of immediately available funds to an account designated by Company.

III. Representations and Warranties.

A. Representations Regarding Transaction. Except as set forth under the corresponding section of the Disclosure Schedules, if any, Company hereby represents and warrants to, and as applicable covenants with, Investor as of the Closing:

1. Organization and Qualification. Company and each Subsidiary is an entity duly incorporated or otherwise organized, validly existing and in good standing (where such concept is applicable) under the laws of the jurisdiction of its incorporation or organization, as applicable, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents, except as would not reasonably be expected to result in a Material Adverse Effect. Each of Company and each Subsidiary is duly qualified to conduct business and is in good standing (where such concept is applicable) as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not reasonably be expected to result in a Material Adverse Effect and there is no completed, pending or, to Company's knowledge, threatened or contemplated proceeding in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

2. Authorization; Enforcement. Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder or thereunder. The execution and delivery of each of the Transaction Documents by Company and the consummation by it of the transactions contemplated hereby or thereby have been duly authorized by all necessary action on the part of Company and no further consent or action is required by Company. Each of the Transaction Documents has been, or upon delivery will be, duly executed by Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of Company, enforceable against Company in accordance with its terms, except (a) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (c) insofar as indemnification and contribution provisions may be limited by applicable law.

3. No Conflicts. The execution, delivery and performance of the Transaction Documents by Company, the issuance and sale of the Securities and the consummation by Company of the other transactions contemplated thereby do not and will not (a) conflict with or violate any provision of Company's or any Subsidiary's certificate or articles of incorporation,

bylaws or other organizational or charter documents, (b) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any material agreement, credit facility, debt or other instrument (evidencing Company or Subsidiary debt or otherwise) or other understanding to which Company or any Subsidiary is a party or by which any property or asset of Company or any Subsidiary is bound or affected, (c) conflict with or result in a violation of any material law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which Company or a Subsidiary is subject (including U.S. federal and state securities laws and regulations), or by which any material property or asset of Company or a Subsidiary is bound or affected, or (d) conflict with or violate the terms of any material agreement by which Company or any Subsidiary is bound or to which any property or asset of Company or any Subsidiary is bound or affected; except in the case of each of clauses (b), (c) and (d), such as would not reasonably be expected to result in a Material Adverse Effect.

4. **Litigation.** There is no action, suit, inquiry, notice of violation, proceeding or investigation completed, pending or, to Company's knowledge, threatened or contemplated against or affecting Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "**Action**"), which would reasonably be expected to adversely affect or challenge the legality, validity or enforceability of any of the Transaction Documents or the sale, issuance, listing, trading or resale of the Conversion Shares on the Trading Market hereunder. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by Company or any Subsidiary under the Exchange Act or the Act.

5. **Filings, Consents and Approvals.** Neither Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by Company of the Transaction Documents, other than required federal and state securities filings and such filings and approvals as are required to be made or obtained under the applicable Trading Market rules in connection with the transactions contemplated hereby, each of which has been, or if not yet required to be filed will be, timely filed.

6. **Issuance of Securities.** The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens. Company has reserved and will continue to reserve from its duly authorized capital stock sufficient shares of its Common Stock for issuance pursuant to the Transaction Documents.

7. **Disclosure; Non-Public Information.** Company will timely file a current report on Form 8-K ("**Current Report**") by 8:30 am Eastern time on the Trading Day after the Effective Date describing the material terms and conditions of this Agreement, a copy of which has been provided to Investor prior to the Effective Date. All information that Company has provided to Investor that constitutes or might constitute material, non-public information will be

included in the Current Report. Notwithstanding any other provision, except for information that will be included in the Current Report, (a) neither Company nor any other Person acting on its behalf has provided Investor or its representatives, agents or attorneys with any information that constitutes or might constitute material, non-public information, including without limitation this Agreement and the Exhibits and Disclosure Schedules hereto, (b) no information contained in the Disclosure Schedules constitutes material non-public information and (c) there is no adverse material information regarding Company that has not been publicly disclosed prior to the Effective Date. Company understands and confirms that Investor will rely on the foregoing representations and covenants in effecting transactions in securities of Company. All disclosure provided to Investor regarding Company, its business and the transactions contemplated hereby, including without limitation the Disclosure Schedules, furnished by or on behalf of Company with respect to the representations and warranties made herein are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

8. **No Integrated Offering.** Neither Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering to be integrated with prior offerings by Company that cause a violation of the Act or any applicable stockholder approval provisions other than Approval, including, without limitation, under the rules and regulations of the Trading Market.

9. **Financial Condition**. The Public Reports set forth as of the dates thereof all outstanding secured and unsecured Indebtedness of Company or any Subsidiary, or for which Company or any Subsidiary has commitments, and any material default with respect to any Indebtedness. Company does not intend to incur debts beyond its ability to pay such debts as they mature, taking into account the timing and amounts of cash to be payable on or in respect of its debt.

10. **Section 5 Compliance.** No representation or warranty or other statement made by Company in the Transaction Documents contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading. Company is not aware of any facts or circumstances that would cause the transactions contemplated by the Transaction Documents, when consummated, to violate Section 5 of the Act or other federal or state securities laws or regulations.

11. **Investment Company.** Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Company will conduct its business in a manner so that it will not become subject to the Investment Company Act.

12. **Acknowledgments Regarding Investor.** Company's decision to enter into this Agreement has been based solely on the independent evaluation by Company and its representatives, and Company acknowledges and agrees that:

a. Investor is not, has never been, and as a result of the transactions contemplated by the Transaction Documents will not become an officer, director, insider, control person, to Company's knowledge, 10% or greater shareholder or otherwise an affiliate of Company as defined under Rule 12b-2 of the Exchange Act;

b. Investor does not make or has not made any representations, warranties or agreements with respect to the Securities, this Agreement, or the transactions contemplated hereby other than those specifically set forth in **Section III.C** below;

c. The conversion of the Debenture, exercise of the Warrant, and resale of Conversion Shares will result in dilution, which may be substantial; the number of Conversion Shares will increase in certain circumstances; and Company's obligation to issue and deliver Conversion Shares in accordance with this Agreement, the Debenture and Warrant is absolute and unconditional regardless of the dilutive effect that such issuances may have; and

d. Investor is acting solely in the capacity of arm's length purchaser with respect to this Agreement and the transactions contemplated hereby; neither Investor nor any of its Affiliates, agents or representatives has or is acting as a legal, financial, investment, accounting, tax or other advisor to Company, or fiduciary of Company, or in any similar capacity; neither Investor nor any of its Affiliates, agents or representatives has provided any legal, financial, investment, accounting, tax or other advice to Company; any statement made in connection with this Agreement or the transactions contemplated hereby is not advice or a recommendation, and is merely incidental to Investor's purchase of the Securities.

13. No Bad Actor Disqualification. Neither Company, any predecessor of Company, any affiliate of Company, any director, executive officer, other officer of Company participating in the offering, or any beneficial owner of 20% or more of Company's outstanding voting equity securities is subject to any bad actor disqualification as provided in Rule 506(d) of Regulation D, and Company is not aware of any facts or circumstances that, with the passage of time, would reasonably be expected to cause such disqualification.

14. Offshore Transaction. Company has not, and will not, engage in any directed selling efforts in the United States in respect of the Securities. Company is offering and selling the Securities only to Investor, in compliance with the offering restriction requirements of Regulation S.

B. Representations Regarding Company. Except as set forth in any Public Reports or attached exhibits as of the Effective Date, or under the corresponding section of the Disclosure Schedules, if any, Company hereby represents and warrants to, and as applicable covenants with, Investor as of the Closing:

1. Capitalization. The capitalization of the Company as of the Effective Date is as described in the Public Reports. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents which has not been waived or satisfied. Except as a result of the purchase and sale of the Debenture, the Warrant and the issuance of Conversion Shares, there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character

whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or securities convertible into or exercisable for shares of Common Stock. The issuance and sale of the Securities will not obligate Company to issue shares of Common Stock or other securities to any Person, other than Investor, and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange, or reset price under such securities. All of the outstanding shares of capital stock of Company are validly issued, fully paid and nonassessable, have been issued in material compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors of Company or others is required for the issuance and sale of the Securities, other than Approval. There are no stockholders agreements, voting agreements or other similar agreements with respect to Company's capital stock to which Company is a party or, to the knowledge of Company, between or among any of Company's stockholders.

2. Subsidiaries. All of the direct and indirect subsidiaries of Company are set forth in the Public Reports or the corresponding section of the Disclosure Schedules. Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary, and all of such directly or indirectly owned capital stock or other equity interests are owned free and clear of any Liens. All the issued and outstanding shares of capital stock of each Subsidiary are duly authorized, validly issued, fully paid, nonassessable and free of preemptive and similar rights to subscribe for or purchase securities.

3. Public Reports; Financial Statements. Company has filed all required Public Reports for the one year preceding the Effective Date. As of their respective dates or as subsequently amended, the Public Reports complied in all material respects with the requirements of the Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, as applicable, and none of the Public Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Company included in the Public Reports, as amended, comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

4. Material Changes. Since the end of the most recent year for which an Annual Report on Form 10-K has been filed with the Commission, (a) there has been no event, occurrence or development that has had, or that would reasonably be expected to result in, a Material Adverse Effect, (b) Company has not incurred any liabilities (contingent or otherwise) other than (i) trade payables and accrued expenses incurred in the ordinary course of business

consistent with past practice, and (ii) liabilities not required to be reflected in Company's financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission, (c) Company has not altered its method of accounting, (d) Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (e) Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company equity incentive plans. Company does not have pending before the Commission any request for confidential treatment of information.

5. Litigation. There is no Action completed, pending or, to Company's knowledge, threatened or contemplated, which would reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary, nor any director or officer thereof, nor to the knowledge of Company any greater than 5% shareholder or any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, is not pending, and to Company's knowledge, there is not threatened or contemplated, any investigation by the Commission involving Company or any current or former director or officer of Company, or to the knowledge of Company greater than 5% shareholder of Company.

6. No Bankruptcy. There has not been any petition or application filed, or any judicial or administrative proceeding commenced which has not been discharged, by or against the Company or any Subsidiary or with respect to any of the properties or assets of Company or any Subsidiary under any applicable law relating to bankruptcy, insolvency, reorganization, fraudulent transfer, compromise, arrangement of debt, creditors' rights and no assignment has been made by the Company or any Subsidiary for the benefit of creditors.

7. Labor Relations. No material labor dispute exists or, to the knowledge of Company, is imminent with respect to any of the employees of Company, which would reasonably be expected to result in a Material Adverse Effect.

8. Compliance. Neither Company nor any Subsidiary (a) is in material default under or in material violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by Company or any Subsidiary under), nor has Company or any Subsidiary received notice of a claim that it is in material default under or that it is in material violation of, any indenture, loan or credit agreement or any other similar agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (b) is in violation of any order of any court, arbitrator or governmental body, or (c) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business, except in each case as would not reasonably be expected to have a Material Adverse Effect.

9. Regulatory Permits. Company and each Subsidiary possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the Public Reports, except where the failure to possess such permits would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect ("**Material Permits**"),

and neither Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

10. Title to Assets. Company and each Subsidiary have good and marketable title in fee simple to all real property owned by them that is material to the business of Company and each Subsidiary and good and marketable title in all personal property owned by them that is material to the business of Company and each Subsidiary, in each case free and clear of all Liens, except for Liens that do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by Company and each Subsidiary and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by Company and each Subsidiary are held by them under valid, subsisting and enforceable leases of which Company and each Subsidiary are in compliance.

11. Patents and Trademarks. Company and each Subsidiary have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, licenses and other similar rights that are necessary or material for use in connection with their respective businesses as described in the Public Reports and which the failure to so have would have a Material Adverse Effect (collectively, "**Intellectual Property Rights**"). Neither Company nor any Subsidiary has received a written notice that the Intellectual Property Rights used by Company or any Subsidiary violates or infringes upon the rights of any Person. To the knowledge of Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights of Company or each Subsidiary.

12. Insurance. Company and each Subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which Company and each Subsidiary are engaged, including but not limited to directors and officers insurance coverage at least equal to the Purchase Amount. To Company's knowledge, such insurance contracts and policies are accurate and complete in all material respects. Neither Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without an increase in cost that would constitute a Material Adverse Effect.

13. Transactions with Affiliates and Employees. None of the officers or directors of Company and, to the knowledge of Company, none of the employees of Company is presently a party to any transaction with Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of $120,000 other than (i) for payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of Company and (iii) for other employee benefits, including stock option agreements under any equity incentive plan of Company.

14. **Sarbanes-Oxley; Internal Accounting Controls**. Company is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002, which are applicable to it as of the date of the Closing. Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of Company's disclosure controls and procedures based on their evaluations as of the evaluation date. Since the date of the most recently filed Public Report, there have been no significant changes in Company's internal accounting controls or its disclosure controls and procedures or, to Company's knowledge, in other factors that could materially affect Company's internal accounting controls or its disclosure controls and procedures.

15. **Certain Fees.** No brokerage or finder's fees or commissions are or will be payable to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement. Notwithstanding any other provision, Investor will have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this section that may be due in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

16. **Registration Rights.** No Person has any right to cause Company to effect the registration under the Act of any securities of Company.

17. **Listing and Maintenance Requirements.** The Common Stock is registered pursuant to Section 12 of the Exchange Act, and Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has Company received any notification that the Commission is contemplating terminating such registration. Company has not, in the 12 months preceding the Effective Date, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that Company is not in compliance with the listing or maintenance requirements of such Trading Market. Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

17. **Application of Takeover Protections.** Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under Company's Certificate of Incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to Investor as a result of Investor and Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation Company's issuance of the Conversion Shares and Investor's ownership of the Conversion Shares.

18. **Tax Status.** Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes). Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, statute or local tax. None of

Company's tax returns is presently being audited by any taxing authority. Company would not be classified as a PFIC for its most recently completed taxable year, and does not expect to be classified as a PFIC for its current taxable year.

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

20. Accountants. Company's accountants are set forth in the Public Reports and such accountants are an independent registered public accounting firm.

21. No Disagreements with Accountants or Lawyers. There are no material disagreements presently existing, or reasonably anticipated by Company to arise, between Company and the accountants or lawyers formerly or presently employed by Company.

22. Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the Company or any Subsidiary, except such as would not reasonably be expected to result in a Material Adverse Effect.

23. Computer and Technology Security. Company has taken all reasonable steps to safeguard the information technology systems utilized in the operation of the business of Company, including the implementation of procedures to minimize the risk that such information technology systems have any disabling codes or instructions, timer, copy protection device, clock, counter or other limiting design or routing and any back door, virus, malicious code or other software routines or hardware components that in each case permit unauthorized access or the unauthorized disablement or unauthorized erasure of data or other software by a third party, and, to Company's knowledge, to date there have been no successful unauthorized intrusions or breaches of the security of the information technology systems.

24. Data Privacy. Company has: (a) complied with, and is presently in compliance with, all applicable laws in connection with data privacy, information security, data security and/or personal information; (b) complied with, and is presently in material compliance with, its policies and procedures applicable to data privacy, information security, data security, and personal information; (c) not experienced any incident in which personal information or other sensitive data was or may have been stolen or improperly accessed; and Company is not aware of any facts suggesting the likelihood of the foregoing, including without limitation, any breach of security or receipt of any notices or complaints from any Person regarding personal information or other data.

C. Representations and Warranties of Investor. Investor hereby represents and warrants to Company as of the Closing as follows:

1. Organization; Authority. Investor is an entity validly existing and in good standing under the laws of the jurisdiction of its organization with full right, company power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations thereunder. The execution, delivery and performance by Investor of the transactions contemplated by this Agreement have been duly authorized by all necessary company or similar action on the part of Investor. Each Transaction Document to which it is a party has been, or will be, duly executed by Investor, and when delivered by Investor in accordance with the terms hereof, will constitute the valid and legally binding obligation of Investor, enforceable against it in accordance with its terms, except (a) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (c) insofar as indemnification and contribution provisions may be limited by applicable law.

2. Investor Status. At the time Investor was offered the Securities, it was, and at the Effective Date it is: (a) an accredited investor as defined in Rule 501(a) under the Act; (b) not a registered broker-dealer, member of FINRA, or an affiliate thereof; and (c) not a U.S. Person and not acquiring the Securities for the account or beneficial ownership of any U.S. Person.

3. Experience of Investor. Investor, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. Investor is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

4. Ownership. Investor is acquiring the Debenture and Warrant as principal for its own account. Investor will not engage in hedging transactions with regard to the Securities unless in compliance with the Act. Investor will not resell, transfer or assign the Debenture or Warrant, and will resell the Conversion Shares only pursuant to registration under the Act or an available exemption therefrom.

5. No Short Sales. Neither Investor nor any Affiliate (a) currently holds any short position in the Common Stock, (b) has ever engaged in any Short Sales of the Common Stock, (c) has engaged in any hedging transactions with regard to the Common Stock prior to the Effective Date, or (d) has traded any securities of Company within 30 days prior to the Effective Date.

IV. Securities and Other Provisions.

A. Investor Due Diligence. Investor will have the right and opportunity to conduct customary due diligence with respect to any Registration Statement or Prospectus in which the name of Investor or any Affiliate of Investor appears.

B. Furnishing of Information. As long as Investor owns any Securities, Company will timely file all reports required to be filed by Company after the Effective Date pursuant to the Exchange Act. As long as Investor owns any Securities, Company will prepare and make publicly available such information as is required for Investor to sell its Conversion Shares under Rule 144. Company further covenants that, as long as Investor owns any Securities, Company will take such further action as Investor may reasonably request, all to the extent required from time to time to enable Investor to sell its Conversion Shares without registration under the Act within the limitation of the exemptions provided by Rule 144.

C. Integration. Company will not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security, as defined in Section 2 of the Act, that would be integrated with the offer or sale of the Securities to Investor for purposes of the rules and regulations of any Trading Market such that it would require stockholder approval prior to the closing of such other transaction, unless stockholder approval is obtained before the closing of such subsequent transaction.

D. Disclosure and Publicity. Company will provide to Investor for review and approval prior to issuing any current report, press release, public statement or communication with respect to the transactions contemplated hereby.

E. Shareholders Rights Plan. No claim will be made or enforced by Company or, to the knowledge of Company, any other Person that Investor is an "Acquiring Person" under any shareholders rights plan or similar plan or arrangement in effect or hereafter adopted by Company, or that Investor could be deemed to trigger the provisions of any such plan or arrangement, in either such case, by virtue of receiving the Securities under the Transaction Documents or under any other agreement between Company and Investor. Company will conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

F. No Non-Public Information. Company covenants and agrees that neither it nor any other Person acting on its behalf will, provide Investor or its agents or counsel with any information that Company believes or reasonably should believe will constitute material non-public information after Closing. On and after Closing, neither Investor nor any Affiliate of Investor will have any duty of trust or confidence that is owed directly, indirectly, or derivatively, to Company or the stockholders of Company, or to any other Person who is the source of material non-public information regarding Company. Company understands and confirms that Investor will be relying on the foregoing in effecting transactions in securities of Company, including without limitation sales of the Conversion Shares.

G. Indemnification of Investor.

1. Obligation to Indemnify. Subject to the provisions of this **Section IV.G**, Company will indemnify and hold Investor, its Affiliates, managers and advisors, and each of their officers, directors, shareholders, partners, employees, representatives, agents and attorneys, and any person who controls Investor within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (collectively, "**Investor Parties**" and each a "**Investor Party**"), harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, reasonable costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable

attorneys' fees and costs of investigation (collectively, "**Losses**") that any Investor Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by Company in this Agreement or in the other Transaction Documents, (b) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, Prospectus, Prospectus Supplement, or any information incorporated by reference therein, or arising out of or based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (c) any action by a creditor or stockholder of Company who is not an Affiliate of an Investor Party, challenging the transactions contemplated by the Transaction Documents; provided, however, that Company will not be obligated to indemnify any Investor Party for any Losses finally adjudicated to be caused solely by (i) a false statement of material fact contained within written information provided by such Investor Party expressly for the purpose of including it in the applicable Registration Statement, Prospectus, Prospectus Supplement, or (ii) such Investor Party's unexcused material breach of an express provision of this Agreement or another Transaction Document.

2. **Procedure for Indemnification.** If any action will be brought against an Investor Party in respect of which indemnity may be sought pursuant to this Agreement, such Investor Party will promptly notify Company in writing, and Company will have the right to assume the defense thereof with counsel of its own choosing. Investor Parties will have the right to employ separate counsel in any such action and participate in the defense thereof, but the reasonable fees and expenses of such counsel will be at the expense of Investor Parties except to the extent that (a) the employment thereof has been specifically authorized by Company in writing, (b) Company has failed after a reasonable period of time to assume such defense and to employ counsel or (c) in such action there is, in the reasonable opinion of such separate counsel, a material conflict with respect to the dispute in question on any material issue between the position of Company and the position of Investor Parties such that it would be inappropriate for one counsel to represent Company and Investor Parties. Company will not be liable to Investor Parties under this Agreement (i) for any settlement by an Investor Party effected without Company's prior written consent, which will not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is either attributable to Investor's breach of any of the representations, warranties, covenants or agreements made by Investor in this Agreement or in the other Transaction Documents. In no event will the Company be liable for the reasonable fees and expenses for more than one separate firm of attorneys (plus local counsel as applicable) to represent all Investor Parties.

3. Other than the liability of Investor to Company for uncured material breach of the express provisions of this Agreement, no Investor Party will have any liability to Company or any Person asserting claims on behalf of or in right of Company as a result of acquiring the Securities under this Agreement.

H. **Reservation of Shares**. Company will at all times maintain a reserve from its duly authorized Common Stock for issuance pursuant to the Transaction Documents authorized shares of Common Stock in an amount equal to thrice the number of shares sufficient to immediately issue all Conversion Shares potentially issuable at such time.

I. **Activity Restrictions.** For so long as Investor or any of its Affiliates holds any Securities, neither Investor nor any Affiliate will: (1) vote any shares of Common Stock owned or controlled by it, sign or solicit any proxies, attend or be present at a shareholder meeting for purposes of determining a quorum, or seek to advise or influence any Person with respect to any voting securities of Company; (2) engage or participate in any actions, plans or proposals which relate to or would result in (a) acquiring additional securities of Company, alone or together with any other Person, which would result in beneficially owning or controlling more than 9.99% of the total outstanding Common Stock or other voting securities of Company, (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Company or any of its Subsidiaries, (c) a sale or transfer of a material amount of assets of Company or any of its Subsidiaries, (d) any change in the present board of directors or management of Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board, (e) any material change in the present capitalization or dividend policy of Company, (f) any other material change in Company's business or corporate structure, including but not limited to, if Company is a registered closed-end investment company, any plans or proposals to make any changes in its investment policy for which a vote is required by Section 13 of the Investment Company Act of 1940, (g) changes in Company's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of Company by any Person, (h) a class of securities of Company being delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (i) a class of equity securities of Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act, or (j) any action, intention, plan or arrangement similar to any of those enumerated above; or (3) request Company or its directors, officers, employees, agents or representatives to amend or waive any provision of this section.

J. **No Shorting.** Provided no Trigger Event under **Sections I.H.(1), (6), (7), (8), (9), (10)** or **(14)** of the Debenture has occurred, for so long as Investor holds any securities of Company, neither Investor nor any of its Affiliates will engage in or effect, directly or indirectly, any Short Sale of Common Stock. For the avoidance of doubt, selling against delivery of Conversion Shares after delivery of a Conversion Notice is not a Short Sale. There will be no restriction or limitation of any kind on Investor's right or ability to sell or transfer any or all of the Conversion Shares at any time, in its sole and absolute discretion.

K. **Stock Splits.** If Company at any time on or after the Effective Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) or combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a greater or lesser number of shares, the share numbers, prices and other amounts set forth in this Agreement, as in effect immediately prior to such subdivision or combination, will be proportionately reduced or increased, as applicable, effective at the close of business on the date the subdivision or combination becomes effective.

L. **Subsequent Financings**. Until at least 60 days after the Registration Statement is declared effective, Company will not issue or enter into an agreement to issue any shares of Common Stock, except as provided in subsections (a), (b), (c)(i), (c)(iii), (c)(v) or (c)(vi) below. Until at least 6 months after the entire Debenture and Warrant have been converted, redeemed or exercised, Company will not (1) enter into any agreement that in any way restricts its ability to

enter into any agreement, amendment or waiver with Investor, including without limitation any agreement to offer, sell or issue to Investor any preferred stock, common stock or other securities of Company, (2) enter into any equity or convertible financing pursuant to which shares of Common Stock or Common Stock equivalents may effectively be issued (i) at a discount, (ii) at a variable price, or (iii) where the price or number of shares are subject to any type of variability or reset feature. Notwithstanding the preceding sentence, Company may enter into any financing: (a) with Investor; (b) for non-convertible debt with no equity component; or (c) issuing Common Stock or Common Stock equivalents at a fixed price (i) upon the exercise or exchange or conversion of any securities issued and outstanding on, and not amended or modified after, the Effective Date, (ii) in an underwritten public offering that does not include warrants and generates gross proceeds of at least $10 million, (iii) up to $250,000 per month in private placements of securities that are restricted for at least 6 months after issuance; (iv) in exchange for services pursuant to existing qualified incentive stock option plans, or pursuant to new plans duly adopted by the Board of Directors of the Company if the securities are restricted for at least 6 months after issuance, including options or other awards, to Company employees, officers, directors, or individual independent contractors specifically engaged in the operations or management of oil and gas field related activity and specifically excluding corporate contractors and general and administrative service providers, (v) as consideration for acquisitions, mergers, consolidations or strategic transactions, including licensing and partnering agreements, or purchase of all or substantially all of the securities or assets of another entity, or (vi) as consideration for an equipment loan or leasing arrangement, real property leasing arrangement, or debt financing, from a licensed commercial bank; provided however, with regard to any of the foregoing set forth in clauses (iv) through (vi), that (1) the primary purpose of such issuance is not to raise capital, (2) the purchasers or acquirers of the securities in such issuance do not include Company or any of its Subsidiaries and solely consists of either (w) the individuals actually providing the services, (x) the actual participants in such strategic alliance or strategic partnership, (y) the actual owners of such assets or securities acquired in such acquisition or merger or (z) the stockholders, partners or members of the foregoing Persons, (3) the number or amount of securities issued to such Person by the Company shall not be disproportionate to such Person's actual participation in such strategic alliance or strategic partnership or ownership of such assets or securities to be acquired by the Company, or the value of services provided to the Company, as applicable, and (4) none of such Persons are an entity whose primary business is investing in securities, unless such entity has more than $1 billion in assets under management.

M. **Approval.** Company will file a preliminary proxy statement within 30 days of the Effective Date, and use its commercially reasonable best efforts to obtain stockholder approval of this Agreement, the Debenture, the Warrant, and the issuance of the Conversion Shares, in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**") as soon as practicable after the Effective Date. Company, its board of directors, and each of its directors will vote all proxies given to them in favor of Approval.

N. **Principal Market.** Company has submitted any necessary notification and supporting documentation required for the listing of all possible Conversion Shares with NYSE MKT and will use its commercially reasonable best efforts to obtain approval to list the Conversion Shares as soon as practicable.

O. **Restrictive Legend**. The Securities have not been registered under the Act and may not be resold in the United States unless registered or an exemption from registration is available. Company is required to refuse to register any transfer of the Conversion Shares not made pursuant to registration under the Act or an available exemption from registration. Upon the issuance thereof, and only until such time as the same is no longer required under the applicable securities laws and regulations, the certificates representing any of the Securities will bear a legend in substantially the following form:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR ANY U.S. STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE ACT. IN ADDITION, HEDGING TRANSACTIONS INVOLVING THE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT.

Certificates representing Conversion Shares will be issued without such legend or at Investor's option issue electronic delivery at the applicable balance account at DTC, if either (i) the Conversion Shares are registered for resale under the Act, or (ii) Investor provides an opinion of its counsel to the effect that the Conversion Shares may be issued without restrictive legend.

P. **Warrant Exercise.** Upon automatic exercise pursuant to Section I.B. of the Warrant, Investor will pay Company the Purchase Price for the Warrant by wire transfer of immediately available funds.

V. Registration Statement.

A. Filing.

1. Company will at its sole cost and expense prepare and file with the Commission as promptly as practicable after the Effective Date, and in any event within 30 days, a Registration Statement ("**Registration Statement**") on Form S-3 or, if Form S-3 is unavailable, Form S-1, registering the delayed and continuous resale of all Conversion Shares pursuant to Rule 415 under the Act, and will use reasonable best efforts to cause such Registration Statement to be declared effective under the Act as promptly as practicable, and to remain continuously effective until all Conversion Shares may be resold by Investor pursuant to Rule 144 without volume restrictions, manner-of-sale restrictions, or Company being in compliance with any current public information requirement (the "**Registration Period**").

2. If Company breaches its obligations under the preceding paragraph, it will file a Registration Statement as soon as practicable, but such obligation and filing will not operate to cure or excuse such breach. If at any time after the initial registration Statement is filed on Form S-3 or Form S-1, the Registration Statement does not remain effective, Company will use reasonable best efforts to amend the Registration Statement to continue effectiveness uninterrupted.

3. Notwithstanding the foregoing registration obligations, if the Commission informs the Company that all of the Conversion Shares cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to use its commercially reasonable efforts to file amendments to the Registration Statement as required by the Commission, covering the maximum number of Conversion Shares permitted to be registered by the Commission, to register for resale the Conversion Shares as a secondary offering; provided, however, that prior to filing such amendment, the Company will use reasonably diligent efforts to advocate with the Commission for the registration of all of the Conversion Shares in accordance with Commission guidance.

B. Procedures. In connection with the Registration Statement, Company will, as soon as reasonably practicable:

1. Prepare and file with the Commission such pre-effective and post-effective amendments and supplements to the Registration Statement and the Prospectus used in connection with the Registration Statement, and file such reports under the Exchange Act, as may be necessary to cause the Registration Statement to become effective, to keep the Registration Statement continuously effective during the Registration Period and not misleading in any material respect, and as may otherwise be required or applicable under, and to comply with the provisions of, the Act with respect to the disposition of all Conversion Shares covered by the Registration Statement during the Registration Period.

2. Furnish to Investor such number of copies of the Prospectus, and each amendment or supplement thereto, in conformity with the requirements of the Act, and such other documents as Investor may reasonably request in order to facilitate the disposition of Conversion Shares owned by it.

3. Notify Investor: (a) when a Prospectus or any Prospectus supplement or post-effective amendment is proposed to be filed and, with respect to any post-effective amendment, when the same has become effective, except for any filing to be made solely to incorporate by reference a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed with the Commission; (b) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or a Prospectus or for additional information; (c) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose; (d) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Conversion Shares for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, and (e) of the occurrence of any event or circumstance that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, Prospectus or documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, in no event will any such notice contain any information which would constitute material, non-public information regarding the Company.

4. Use reasonable best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of, any order suspending the effectiveness of the Registration Statement, or the lifting of any suspension of the qualification, or exemption from qualification, of any of the Conversion Shares for sale in any jurisdiction, at the earliest practicable moment.

5. Incorporate in a Prospectus supplement or post-effective amendment such information as Investor reasonably requests be included therein regarding Investor or the plan of distribution of the Conversion Shares; and make all required filings of the Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of such matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company will not be required to take any action pursuant to this paragraph that would violate applicable law.

6. Whenever necessary, prepare and deliver to Investor any required supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document, including such reports as may be required to be filed under the Exchange Act, so that, as thereafter delivered, the Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. Use reasonable best efforts to cause all Conversion Shares to be listed on the Trading Market or such other securities exchange or automated quotation system, if any, as is then the principal securities exchange or automated quotation system on which the Common Stock is then listed.

8. Fully cooperate with the Transfer Agent, Investor and its brokers to facilitate the timely clearing and delivery of Conversion Shares to be sold pursuant to the Registration Statement free of any restrictive legends and in such denominations and registered in such names as Investor may reasonably request, including timely completion and delivery of all forms, documents and instruments requested by the Transfer Agent or any broker.

VI. General Provisions.

A. Notice. Unless a different time of day or method of delivery is specifically provided in the Transaction Documents, any and all notices or other communications or deliveries required or permitted to be provided hereunder will be in writing and will be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:00 p.m. Eastern time on a Trading Day and an electronic confirmation of delivery is received by the sender, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered later than 5:00 p.m. Eastern time or on a day that is not a Trading Day, (c) the next Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The addresses for such notices and communications are such other address as may be designated in writing, in the same manner, by such Person.

B. Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by Company and Investor or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement will be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor will any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

C. No Third-Party Beneficiaries. Except as otherwise set forth in **Section IV.G**, this Agreement and the Transaction Documents will inure solely to the benefit of the parties hereto, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person. Other than the Investor Parties described in **Section IV.G**,, a person who is not a party to this Agreement will not have any rights under the Contracts (Rights of Third Parties) Law, 2014 of the Cayman Islands to enforce any term of this Agreement or any Transaction Document.

D. Fees and Expenses. Company has paid a flat rate documentation fee of $10,000 to Investor's counsel incurred in connection with drafting this Agreement and the other Transaction Documents. Except as otherwise provided in this Agreement, each party will pay the fees and expenses of its own advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of the Transaction Documents. Company acknowledges and agrees that Investor's counsel solely represents Investor, and does not represent Company or its interests in connection with the Transaction Documents or the transactions contemplated thereby. Company will pay all stamp and other taxes and duties, if any, levied in connection with the sale, issuance and delivery of the Securities to Investor.

E. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement will not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, will incorporate such substitute provision in this Agreement.

F. Replacement of Certificates. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, Company will issue or cause to be issued in exchange and substitution for and upon cancellation thereof, or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to Company of such loss, theft or destruction and customary and reasonable indemnity, if requested. The applicants for a new certificate or instrument under such circumstances will also pay any reasonable third-party costs associated with the issuance of such replacement certificates.

G. Governing Law. All matters between the parties, including without limitation questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents will be governed by and construed and enforced in accordance with the laws of the Cayman Islands, without regard to the principles of conflicts of law that would require or permit the application of the laws of any other jurisdiction, except for corporation law matters applicable to Company which will be governed by the corporate law of its jurisdiction of formation. The

parties hereby waive all rights to a trial by jury. In any action, arbitration or proceeding, including appeal, arising out of or relating to any of the Transaction Documents or otherwise involving the parties, the prevailing party will be awarded its reasonable attorneys' fees and other costs and expenses reasonably incurred in connection with the investigation, preparation, prosecution or defense of such action or proceeding.

H. Arbitration. Any dispute, controversy, claim or action of any kind arising out of, relating to, or in connection with this Agreement, or in any way involving Company and Investor or their respective Affiliates, including any issues of arbitrability, will be resolved solely by final and binding arbitration in English before a retired judge at JAMS International, or its successor, in the Territory of the Virgin Islands, pursuant to the most expedited and Streamlined Arbitration Rules and procedures available. Any interim or final award may be entered and enforced by any court of competent jurisdiction. The final award will include the prevailing party's reasonable arbitration, expert witness and attorney fees, costs and expenses. Notwithstanding the foregoing, Investor may in its sole discretion bring an action in the U.S. District Court for the District of Nevada or the Middle District of Florida in addition to, in lieu of, or in aid of arbitration.

I. Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of Investor and Company will be entitled to specific performance under the Transaction Documents, and equitable and injunctive relief to prevent any actual or threatened breach under the Transaction Documents, to the full extent permitted under applicable laws. Without limitation of the foregoing, Company acknowledges that the rights and benefits of Investor pursuant to Section I.G.1. of the Debenture are unique and that no adequate remedy exists at law if Company breaches or fails timely perform any of its obligations thereunder, that it would be difficult to determine the amount of damages resulting therefrom, that it would cause irreparable injury to Investor, and that any potential harm to Company would be adequately and fully compensable with monetary damages. Accordingly, Investor will be entitled to a compulsory remedy of immediate specific performance, temporary, interim, preliminary and final injunctive relief to enforce the provisions thereof, including without limitation requiring Company and its transfer agent, attorneys, officers and directors to immediately take all actions necessary to issue and deliver the number of Conversion Shares stated by Investor, which requirements will not be stayed for any reason, without the necessity of posting any bond. Company hereby absolutely, unconditionally and irrevocably waives all objections and rights to oppose any motion, application or request by Investor to issue any number of Conversion Shares, and all rights to stay or appeal any resulting order, and any appeal by Company or on its behalf will be immediately and automatically dismissed. Nothing provided for in this provision will limit either party's ability to recover monetary damages.

J. Payment Set Aside. To the extent that Company makes a payment or payments to Investor pursuant to any Transaction Document or Investor enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to Company, a trustee, receiver or any other person under any law, including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action, then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied will be

revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

K. Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and will not be deemed to limit or affect any of the provisions hereof

L. Time of the Essence. Time is of the essence with respect to all provisions of this Agreement.

M. Survival. The representations and warranties contained herein will survive the Closing and the delivery of the Securities until the entire Debenture and Warrant issued to Investor have been converted, redeemed or exercised. Neither party will be under any obligation to update or supplement any of its representations or warranties following the Closing due to a change that occurred after the Closing.

N. Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of the Transaction Documents or any amendments hereto. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. All currency references in any Transaction Document are to U.S. dollars.

O. Further Assurances. Each party will take all further actions and execute all further documents as may be reasonably necessary to implement the provisions and carry out the intent of this Agreement fully and effectively.

P. Execution. This Agreement may be executed in two or more counterparts, all of which when taken together will be considered one and the same agreement and will become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by portable document format, facsimile or electronic transmission, such signature will create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

Q. Entire Agreement. This Agreement, including the Exhibits hereto, which are hereby incorporated herein by reference, contains the entire agreement and understanding of the parties, and supersedes all prior and contemporaneous agreements, term sheets, letters, discussions, communications and understandings, both oral and written, which the parties acknowledge have been merged into this Agreement. No party, representative, advisor, attorney or agent has relied upon any collateral contract, agreement, assurance, promise, understanding, statement or representation not expressly set forth herein. The parties hereby absolutely, unconditionally and irrevocably waive all rights and remedies, at law and in equity, directly or indirectly arising out of or relating to, or which may arise as a result of, any Person's reliance on any such statement or assurance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories on the Effective Date.

Company:

LUCAS ENERGY, INC.

By: _____
Name: ANTHONY C SCHNJR
Title: CHIEF EXECUTIVE OFFICER

Investor:

_____
Investor Name

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories on the Effective Date.

Company:

LUCAS ENERGY, INC.

By: _____
Name: _____
Title: _____

Investor:

Discover Growth Fund
Investor Name

By: 
Name: David Sims
Title: Director

Exhibit 1

Glossary of Defined Terms

"**$**" means the currency of the United States of America, in which all dollar amounts in the Transaction Documents will be expressed.

"**Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

"**Action**" has the meaning set forth in **Section III.A.4**.

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a Person, as such terms are used in and construed under Rule 144 under the Act.

"**Agreement**" means this Securities Purchase Agreement.

"Approval" has the meaning set forth in **Section IV.M**.

"Acquisition" has the meaning set forth in the Debenture.

"**CATI**" means CATI Operating LLC, a Texas limited liability company.

"**Closing**" has the meaning set forth in **Section II.D**.

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

"Common Stock" means the Common Stock of Company and any replacement or substitute thereof, or any share capital into which such Common Stock will have been changed or any share capital resulting from a reclassification of such Common Stock.

"**Company**" has the meaning set forth in the first paragraph of the Agreement.

"Conversion Shares" includes all shares of Common Stock potentially issuable in relation to the Debenture or Warrant, including Common Stock that must be issued upon conversion of the face amount of the Debenture or exercise of the Warrant, and Common Stock that must or may be issued in payment of any Interest or Conversion Premium payable under the terms of the Debenture.

"Debenture" has the meaning set forth in **Section II.B.1**.

"Disclosure Schedules" means the disclosure schedules of Company delivered concurrently herewith. The Disclosure Schedules will contain no material non-public information.

"DTC" means The Depository Trust Company, or any successor performing substantially the same function for Company.

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

"**Effective Date**" has the meaning set forth in the first paragraph of the Agreement.

"GAAP" means U.S. generally accepted accounting principles applied on a consistent basis during the periods involved.

"Indebtedness" means (a) any liabilities for borrowed money or amounts owed in excess of $500,000, other than trade accounts payable incurred in the ordinary course of business, (b) all guaranties, endorsements and other contingent obligations in respect of Indebtedness of others, whether or not the same are or should be reflected in Company's balance sheet, or the notes thereto, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and (c) the present value of any lease payments in excess of $500,000 due under leases required to be capitalized in accordance with GAAP. Indebtedness does not include any of the foregoing set forth in clauses (a) through (c) with respect to CATI.

"**Intellectual Property Rights**" has the meaning set forth in **Section III.B.11**.

"Legal Opinion" has the meaning set forth in **Section I.B.3**.

"Liens" means (a) a lien, charge, security interest or encumbrance in excess of $500,000, or (b) a right of first refusal, preemptive right or other restriction (other than restrictions under securities laws). Liens do not include any of the foregoing set forth in clauses (a) and (b) with respect to CATI.

"Material Adverse Effect" includes any material adverse effect on (a) the legality, validity or enforceability of any Transaction Document, (b) the results of operations, assets, business, or financial condition of Company and the Subsidiaries, taken as a whole, which is not disclosed in the Public Reports prior to the Effective Date, (c) Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document, or (d) the sale, issuance, registration, listing and trading on the Trading Market of the Conversion Shares.

"**Material Permits**" has the meaning set forth in **Section III.B.9**.

"**Officer's Certificate"** has the meaning set forth in **Section II.B.4**.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government, or an agency or subdivision thereof, or other entity of any kind.

"Public Reports" includes all reports filed by Company under the Act or the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two full fiscal years preceding the Effective Date and thereafter.

"Purchase Amount" has the meaning set forth in **Section II.A.1**.

"Investor" has the meaning set forth in the first paragraph of the Agreement.

"Registration Statement" includes a then valid, current and effective Registration Statement registering all Conversion Shares for resale, including the prospectus therein, amendments and supplements to such Registration Statement or prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement, and any information contained or incorporated by reference in a prospectus filed with the Commission in connection with the Registration Statement, to the extent such information is deemed under the Act to be part of any registration statement.

"Regulation D" means Regulation D under the Securities Act and the rules promulgated by the Commission thereunder.

"**Regulation S**" means Regulation S under the Securities Act and the rules promulgated by the Commission thereunder.

"Secretary's Certificate" has the meaning set forth in **Section II.B.5**.

"**Securities**" include the Debenture, Warrant and Conversion Shares.

"Short Sale" means a "short sale" as defined in Rule 200 of Regulation SHO of the Exchange Act.

"Subsidiary" means any Person owned or controlled by the Company, or in which Company, directly or indirectly, owns a majority of the capital stock or similar interest that would be disclosable pursuant to Regulation S-K, Item 601(b)(21).

"Trading Day" means any day on which the Common Stock is traded on the Trading Market; provided that it will not include any day on which the Common Stock is (a) scheduled to trade for less than 5 hours, or (b) suspended from trading.

"**Trading Market**" has the meaning set forth in the Debenture.

"**Transaction Documents**" means this Agreement, the Debenture, the Warrant, and the other agreements, certificates and documents referenced herein or the form of which is attached hereto, and the exhibits, schedules and appendices hereto and thereto.

"**Transfer Agent Instructions**" has the meaning set forth in **Section II.B.2**.

"**U.S. Person**" has the meaning set forth in Regulation S.

"Warrant" has the meaning set forth in **Section II.B.6**.

Exhibit 2

Form of Debenture

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

LUCAS ENERGY, INC.

REDEEMABLE CONVERTIBLE SUBORDINATED DEBENTURE

$530,000.00 Issuance Date: April 6, 2016

FOR VALUE RECEIVED, Lucas Energy, Inc., a Nevada corporation ("**Company**"), promises to pay to the order of _____ ("**Investor**"), the principal sum of US $530,000.00 ("**Face Value**"), together with interest thereon, as follows:

I. Terms of Debenture.

A. Debenture. This Redeemable Convertible Subordinated Debenture ("**Debenture**") is issued pursuant to that certain Securities Purchase Agreement ("**Agreement**") of even date herewith. Capitalized terms not otherwise defined herein will have the meanings defined in the Agreement.

B. Ranking and Voting.

1. Ranking. The Debenture will, with respect to rights upon liquidation, winding-up or dissolution, rank: (a) senior to the Company's Common Stock, $0.001 par value per share ("**Common Stock**"), (b) senior to all existing and future series of the Company's Preferred Stock, $0.001 par value per share ("**Preferred Stock**"); and (c) junior to all existing and future indebtedness of the Company.

2. **No Voting.** Except as required by applicable law, the holders of this Debenture will have no right to vote on any matters, questions or proceedings of this Company including, without limitation, the election of directors.

C. **Interest.**

1. Commencing on the date of the issuance of this Debenture ("**Issuance Date**"), this Debenture will accrue interest ("**Interest**"), at a rate equal to 6.0% per annum, subject to adjustment as provided in this Debenture ("**Interest Rate**"), of the Face Value. Interest will be payable with respect to any part of this Debenture upon any of the following: (a) upon redemption of such part in accordance with **Section I.F**; and (b) upon conversion of such part in accordance with **Section I.G**.

2. Interest, as well as any applicable Conversion Premium payable hereunder, will be paid: (a) in the Company's sole and absolute discretion, immediately in cash; or (b) if Company notifies Investor it will not pay all or any portion in cash, or to the extent cash is not paid and received as soon as practicable, and in any event within 1 Trading Day after the Notice Time, for any reason whatsoever, in shares of Common Stock valued at (i) if there has never been a Trigger Event, (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less $0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less $0.05 per share of Common Stock (ii) following any Trigger Event, (A) 85.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Investor, less $0.10 per share of Common Stock, not to exceed (B) 85.0% of the lowest sales price on the last day of any Measurement Period, less $0.10 per share of Common Stock. In no event will the value of Common Stock pursuant to the foregoing be below the par value per share. All amounts that are required or permitted to be paid in cash pursuant to this Debenture will be paid by wire transfer of immediately available funds to an account designated by Investor.

D. **Protective Provision.**

1. A "**Deemed Liquidation Event**" will mean: (a) a merger or consolidation in which the Company is a constituent party or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except (i) any such merger or consolidation involving the Company or a subsidiary in which the Company is the surviving or resulting corporation, (ii) any merger effected exclusively to change the domicile of the Company, (iii) any transaction or series of transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction continue to retain more than 50% of the total voting power of such surviving entity, or (iv) the Acquisition; (b) Company issues convertible or equity securities that are senior to the Debenture in any respect, (c) Investor does not receive the number of Conversion Shares stated in a Delivery Notice with 5 Trading Days of the Notice Time; (d) trading of the Common Stock is halted or suspended by the Trading Market or any U.S. governmental agency for 10 or more consecutive trading days; (e) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger

or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

3. The Company will not have the power to close or effect a voluntary Deemed Liquidation Event unless the agreement or plan of merger or consolidation for such transaction provides that no consideration will be payable to the stockholders of the Company until after payment to Investor in accordance with **Section I.E**, and the required amount is paid to Investor prior to or upon closing, effectuation or occurrence of the Deemed Liquidation Event.

E. **Liquidation**. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Company, prior to any distribution or payment made to the holders of Common Stock or Preferred Stock by reason of their ownership thereof, Investor will be entitled to be paid out of the assets of the Company available for distribution an amount with respect to this Debenture equal to the outstanding Face Value balance, plus an amount equal to any accrued but unpaid Interest thereon (collectively with the outstanding Face Value balance, the "**Liquidation Value**").

F. **Redemption.**

1. **Company's Redemption Option.** On the Interest Maturity Date, the Company may redeem all or any part of this Debenture by paying Investor in cash an amount per share equal to 100% of the Liquidation Value for the portion redeemed.

2. **Early Redemption.** Prior to the Interest Maturity Date, provided that no Trigger Event has occurred, the Company will have the right at any time upon 30 Trading Days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of this Debenture then outstanding by paying Investor in cash an amount per portion of Debenture (the "**Early Redemption Price**") equal to the sum of the following: (a) 100% of the Face Value of the portion redeemed, plus (b) the Conversion Premium for the portion redeemed, minus (c) any Interest that has been paid, for the portion of the Debenture redeemed.

3. **Credit Risk Adjustment**.

a. The Interest Rate will adjust downward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric rises above the Maximum Triggering Level, down to a minimum of 0.0%.

b. The Interest Rate will adjust upward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric falls below the Minimum Triggering Level, up to a maximum of 24.95%. In addition, the Interest Rate will adjust upward by 10.0% following the occurrence of any Trigger Event.

c. The adjusted Interest Rate used for calculation of the Liquidation Value, Conversion Premium, Early Redemption Price and Interest, as applicable, and the amount of Interest owed will be calculated and determined based upon the Measuring Metric at close of the Trading Market immediately prior to the Notice Time.

4. Mandatory Redemption. If the Company determines to liquidate, dissolve or wind-up its business and affairs, or upon closing or occurrence of any Deemed Liquidation Event, the Company will prior to or concurrently with the closing, effectuation or occurrence any such action, redeem this entire Debenture for cash, by wire transfer of immediately available funds to an account designated by Investor, at the Early Redemption Price set forth in **Section I.F.2** if the event is prior to the Interest Maturity Date, or at the Liquidation Value if the event is on or after the Interest Maturity Date.

5. Mechanics of Redemption. In order to redeem all or any portion of the Debenture then outstanding, the Company must deliver written notice (each, a "**Redemption Notice**") to Investor setting forth (a) the portion of this Debenture that the Company is redeeming, (b) the applicable Interest Rate, Liquidation Value and Early Redemption Price, and (c) the calculation of the amount paid. In connection with a mandatory redemption, the notice will be delivered as soon as the number of shares can be determined, and in all other instances at least 30 Trading Days prior to payment. For the avoidance of doubt, the delivery of a Redemption Notice will not affect Investor's rights under **Section I.G** until after receipt of cash payment by Investor at the required time.

G. Conversion.

1. Mechanics of Conversion.

a. All or any portion of this Debenture may be converted into shares of Common Stock, at any time or times after the Issuance Date, in the sole and absolute discretion of Investor or, subject to the terms and conditions hereof, the Company; (i) if at the option of Investor, by delivery of one or more written notices to the Company or its transfer agent (each, a "**Investor Conversion Notice**"), of the Investor's election to convert any or all of this Debenture; or (ii) if at the option of the Company, if the Equity Conditions are met, delivery of written notice to Investor (each, a "**Company Conversion Notice,**" with the Investor Conversion Notice, each a "**Conversion Notice,**" and with the Redemption Notice, each an "**Initial Notice**"), of the Company's election to convert any or all of this Debenture.

b. Each Delivery Notice will set forth the amount of Debenture being converted, the minimum number of Conversion Shares and the amount of Interest and any applicable Conversion Premium due as of the time the Delivery Notice is given (the "**Notice Time**"), and the calculation thereof.

b. If the Company notifies Investor by 10:00 a.m. Eastern time on the Trading Day after the Notice Time that it is paying all or any portion of Interest or Conversion Premium, and actually pays in cash by the next Trading Day, time being of the essence, the full amount of Interest and Conversion Premium stated in the Delivery Notice, no further amount will be due with respect thereto.

c. As soon as practicable, and in any event within 1 Trading Day of the Notice Time, time being of the essence, the Company will do all of the following: (i) transmit the Delivery Notice by facsimile or electronic mail to the Investor, and to the Company's transfer agent (the "**Transfer Agent**") with instructions to comply with the Delivery Notice; (ii) either (A)

if the Company is approved through The Depository Trust Company ("**DTC**"), authorize and instruct the credit by the Transfer Agent the aggregate number of Conversion Shares set forth in the Delivery Notice, to Investor's or its designee's balance account with the DTC Fast Automated Securities Transfer (FAST) Program, through its Deposit/Withdrawal at Custodian (DWAC) system, or (B) only if the Company is not approved through DTC, issue and surrender to a common carrier for overnight delivery to the address as specified in the Delivery Notice a certificate registered in the name of Investor or its designee, for the number of Conversion Shares set forth in the Delivery Notice, bearing no restrictive legend unless a registration statement covering the Conversion Shares is not effective and neither Company nor Investor provides an opinion of counsel to the effect that Conversion Shares may be issued without restrictive legend; and (iii) if it contends that the Delivery Notice is in any way incorrect, a through explanation of why and its own calculation, or the Delivery Notice will conclusively be deemed correct for all purposes. The Company will at all times diligently take or cause to be taken all actions reasonably necessary to cause the Conversion Shares to be issued as soon as practicable.

d. If during the Measurement Period the Investor is entitled to receive additional Conversion Shares with regard to an Initial Notice, Investor may at any time deliver one or more additional written notices to the Company or its transfer agent (each, an "**Additional Notice**" and with the Initial Notice, each a "**Delivery Notice**") setting forth the additional number of Conversion Shares to be delivered, and the calculation thereof.

e. If the Company for any reason does not issue or cause to be issued to the Investor within 3 Trading Days after the date of a Delivery Notice, the number of Conversion Shares stated in the Delivery Notice, then, in addition to all other remedies available to the Investor, as liquidated damages and not as a penalty, the Company will pay in cash to the Investor on each day after such 3rd Trading Day that the issuance of such Conversion Shares is not timely effected an amount equal to 2% of the product of (i) the aggregate number of Conversion Shares not issued to the Investor on a timely basis and to which the Investor is entitled and (ii) the highest Closing Price of the Common Stock between the date on which the Company should have issued such shares to the Investor and the actual date of receipt of Conversion Shares by Investor. It is intended that the foregoing will serve to reasonably compensate Investor for any delay in delivery of Conversion Shares, and not as punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from delay in delivery are difficult to estimate and would be difficult for Investor to prove.

f. Notwithstanding any other provision: all of the requirements of **Section I.F** and this **Section I.G** are each independent covenants; the Company's obligations to issue and deliver Conversion Shares upon any Delivery Notice are absolute, unconditional and irrevocable; any breach or alleged breach of any representation or agreement, or any violation or alleged violation of any law or regulation, by any party or any other person will not excuse full and timely performance of any of the Company's obligations under these sections; and under no circumstances may the Company seek or obtain any temporary, interim or preliminary injunctive or equitable relief to prevent or interfere with any issuance of Conversion Shares to Investor.

g. If for any reason whatsoever Investor does not timely receive the number of Conversion Shares stated in any Delivery Notice, Investor will be entitled to a compulsory remedy of immediate specific performance, temporary, interim and, preliminary and

final injunctive relief requiring Company and its transfer agent, attorneys, officers and directors to immediately issue and deliver the number of Conversion Shares stated by Investor, which requirement will not be stayed for any reason, without the necessity of posting any bond, and which Company may not seek to stay or appeal.

h. No fractional shares of Common Stock are to be issued upon conversion of this Debenture, but rather the Company will issue to Investor scrip or warrants registered on the books of the Company (certificated or uncertificated) which will entitle Investor to receive a full share upon the surrender of such scrip or warrants aggregating a full share. The Investor will not be required to deliver the original Debenture in order to effect a conversion hereunder. The Company will pay any and all taxes which may be payable with respect to the issuance and delivery of any Conversion Shares.

2. Investor Conversion. In the event of a conversion of any portion of Debenture pursuant to an Investor Conversion Notice, the Company will (a) satisfy the payment of Interest and Conversion Premium with respect to the portion converted as provided in **Section I.C.2,** and (b) issue to Investor a number of Conversion Shares equal to (i) the Face Value of the portion converted divided by (ii) the applicable Conversion Price with respect to such portion of the Debenture; all in accordance with the procedures set forth in **Section I.G.1**.

3. Company Conversion. Company will have the right to send Investor a Company Conversion Notice at any time in its sole and absolute discretion, if the Equity Conditions are met as of the time such Company Conversion Notice is given. Upon any conversion of any portion of this Debenture pursuant to a Company Conversion Notice, Company will on the date of such notice (a) satisfy the payment of Interest and Conversion Premium with respect to the portion converted as provided in **Section I.C.2**, and (b) issue to Investor a number of Conversion Shares equal to (i) the Face Value of the portion converted divided by (ii) the applicable Conversion Price with respect to such portion of the Debenture; all in accordance with the procedures set forth in **Section I.G.1**.

4. Stock Splits. If the Company at any time on or after the filing of this Debenture subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock issuable will be proportionately increased. If the Company at any time on or after such Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such combination will be proportionately increased and the number of Conversion Shares will be proportionately decreased. Any adjustment under this Section will become effective at the close of business on the date the subdivision or combination becomes effective.

5. **Notices.** The holders of shares of Debenture are entitled to the same rights as the holders of Common Stock with respect to rights to receive notices, reports and audited accounts from the Company and with respect to attending stockholder meetings.

6. **Definitions.** The following terms will have the following meanings:

a. **"Adjustment Factor"** means $0.10 per share of Common Stock.

b. **"Acquisition"** means the closing of the acquisition of assets contemplated by that certain Asset Purchase Agreement dated December 30, 2015 between Company and the sellers named therein, as disclosed in the current report on Form 8-K filed with the Securities & Exchange Commission on December 31, 2015.

c. "**Closing Price**" means, for any security as of any date, the last closing bid price for such security on the Trading Market, or, if the Trading Market begins to operate on an extended hours basis and does not designate the closing bid price, then the last bid price of such security prior to 4:00 p.m., Eastern time, or, if the Trading Market is not the principal securities exchange or trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security, or, if no closing bid price is reported for such security, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.).

d. "**Conversion Premium**" for each portion of Debenture means the Face Value, multiplied by the product of (i) the applicable Interest Rate, and (ii) the number of whole years between the Issuance Date and the Interest Maturity Date.

e. "**Conversion Price**" means a price per share of Common Stock equal to $3.25 per share of Common Stock, subject to adjustment as otherwise provided herein.

f. "**Conversion Shares**" means all shares of Common Stock that are required to be or may be issued upon conversion of Debenture.

g. "**Equity Conditions**" means on each day during the Measurement Period, (i) the Common Stock is not under chill or freeze from DTC, the Common Stock is designated for trading on OTCQB or higher market and will not have been suspended from trading on such market, and delisting or suspension by the Trading Market has not been threatened or pending, either in writing by such market or because Company has fallen below the then effective minimum listing maintenance requirements of such market; (ii) the Company has delivered Conversion Shares upon all conversions or redemptions of the Debenture in accordance with their terms to the Investor on a timely basis; (iii) the Company will have no knowledge of any fact that would cause both of the following (A) a registration statement not to be effective and available for the resale of all Conversion Shares, and (B) Section 3(a)(9) under the Securities Act of 1933, as amended, not to be available for the issuance of all Conversion Shares, or Regulation S or Securities Act Rule 144 not to be available for the resale of all the Conversion Shares underlying the Debenture without restriction; (iv) there has been a minimum of $5 million in aggregate trading volume over the last 20 consecutive Trading Days; (v) all shares of Common Stock to which

Investor is entitled have been timely received into Investor's designated account in electronic form fully cleared for trading; (vi) the Company otherwise will have been in compliance with and will not have breached any provision, covenant, representation or warranty of any Transaction Document; (vii) the Measuring Metric is at least $1.50; and (viii) no Trigger Event will have occurred.

h. **"Interest Maturity Date**" means the date that is 7 years after the Issuance Date.

i. "**Measurement Period**" means the period beginning, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, before the Notice Date, and ending, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, after the number of Conversion Shares stated in the initial Notice have actually been received into Investor's designated brokerage account in electronic form and fully cleared for trading; provided that for each day during the Measurement Period on which less than all of the conditions set forth in **Section I.G.6.h** exist, 1 Trading Day will be added to what otherwise would have been the end of the Measurement Period.

j. "**Measuring Metric**" means the volume weighted average price of the Common Stock on any Trading Day following the Issuance Date of the Debenture.

k. **"Maximum Triggering Level"** means $3.75 per share of Common Stock.

l. "**Minimum Triggering Level**" means $2.75 per share of Common Stock.

m. "**Spread Adjustment**" means 100 basis points.

n. "**Securities Purchase Agreement**" means the Securities Purchase Agreement or other agreement pursuant to which the Debenture is issued, including all exhibits thereto and all related Transaction Documents as defined therein.

o. "**Trading Day**" means any day on which the Common Stock is traded on the Trading Market.

p. "**Trading Market**" means the NYSE MKT or whatever is at the applicable time, the principal U.S. trading exchange or market for the Common Stock. All Trading Market data will be measured as provided by the appropriate function of the Bloomberg Professional service of Bloomberg Financial Markets or its successor performing similar functions.

7. **Issuance Limitations**.

a. **Beneficial Ownership.** Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Investor which, when aggregated with all other shares of Common Stock then deemed beneficially owned by Investor, would result in Investor owning more than 4.99% of all Common Stock outstanding immediately after giving

effect to such issuance, as determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder; provided, however, that Investor may increase such amount to 9.99% upon not less than 61 days' prior notice to the Company. To the extent that any conversion would otherwise result in exceeding the beneficial ownership limitation set forth in the preceding sentence, the Delivery Notice will specify the number of shares that may be delivered without exceeding the limitation, and any issuance beyond such extent will be held in abeyance until such time as it would not result in Investor exceeding the beneficial ownership limitation. No provision of this paragraph may be waived by Investor or the Company.

b. Principal Market Regulation. Company will not issue any Conversion Shares under this Debenture, the Warrant issued to Holder on the Issuance Date, the Stock Purchase Agreement with Investor dated the Issuance Date, the Series B Preferred Stock or the Common Stock Purchase Warrant issued to Investor pursuant thereto, if the issuance would exceed the aggregate number of shares of Common Stock the Company may issue without breaching Company's obligations under NYSE MKT rules, except that such limitation will not apply following stockholder approval in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**").

8. Automatic Conversion. On the earlier of (a) the Interest Maturity Date, or (b) the last to occur of (i) the Acquisition and (ii) the date on which all Equity Conditions (without regard to any Measurement Period) are met, the entire remaining outstanding Debenture will automatically be converted into shares of Common Stock.

H. Trigger Event.

1. Any occurrence of any one or more of the following will constitute a "**Trigger Event**":

(a) Investor does not timely receive the number of Conversion Shares stated in any Conversion Notice under this Warrant or any other agreement with Investor for any reason whatsoever, time being of the essence, including without limitation the issuance of restricted shares if counsel for Company or Investor provides a legal opinion that shares may be issued without restrictive legend;

(b) Any violation of or failure to timely perform any covenant or provision of this Debenture, the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor, related to payment of cash, registration or delivery of Conversion Shares, time being of the essence;

(c) Any violation of or failure to perform any covenant or provision of this Debenture, the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor, which in the case of a default that is curable, is not related to payment of cash, registration or delivery of Conversion Shares, and has not occurred before, is not cured within 5 Trading Days of written notice thereof;

(d) Any representation or warranty made in the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor will be untrue, incorrect, or misleading in any material respect as of the date when made or deemed made;

(e) The occurrence of any default or event of default under any material agreement, lease, document or instrument to which the Company or any subsidiary other than CATI Operating LLC, a Texas limited liability company ("**CATI**") is obligated, including without limitation of an aggregate of at least $500,000 of indebtedness;

(f) While any Registration Statement is required to be maintained effective, the effectiveness of the Registration Statement lapses for any reason, including, without limitation, the issuance of a stop order, or the Registration Statement, or the prospectus contained therein, is unavailable to Investor sale of all Conversion Shares for any 5 or more Trading Days, which may be non-consecutive;

(g) The suspension from trading or the failure of the Common Stock to be trading or listed on the Trading Market;

(h) The Company notifies Investor, including without limitation, by way of public announcement or through any of its attorneys, agents or representatives, of its intention not to comply, as required, with a Conversion Notice under this Warrant or any other agreement with Investor, at any time, including without limitation any objection or instruction to its transfer agent not to comply with any notice from Investor;

(i) Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors will be instituted by or against the Company or any subsidiary other than CATI and, if instituted against the Company or any subsidiary other than CATI by a third party, an order for relief is entered or the proceedings are not dismissed within 30 days of their initiation;

(j) The appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, or other similar official of the Company or any subsidiary other than CATI or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any subsidiary other than CATI in furtherance of any such action or the taking of any action by any person to commence a foreclosure sale or any other similar action under any applicable law;

(k) A final judgment or judgments for the payment of money aggregating in excess of $500,000 are rendered against the Company or any of its subsidiaries other than CATI and are not stayed or satisfied within 30 days of entry;

(l) The Company does not for any reason timely comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, including without limitation timely filing when first due all periodic reports;

(m) Any regulatory, administrative or enforcement proceeding is initiated against Company or any subsidiary (except to the extent an adverse determination would not have a material adverse effect on the Company's business, properties, assets, financial

condition or results of operations or prevent the performance by the Company of any material obligation under the Transaction Documents); or

(n) Any material provision of this Debenture will at any time for any reason, other than pursuant to the express terms thereof, cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof will be contested by any party thereto, or a proceeding will be commenced by the Company or any subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any subsidiary denies that it has any liability or obligation purported to be created under this Debenture.

2. It is intended that all adjustments made following a Trigger Event will serve to reasonably compensate Investor for the consequences and increased risk following a Trigger Event, and not as a penalty or punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from a Trigger Event are difficult to estimate and would be difficult for Investor to prove.

II. General.

A. Notices. Any and all notices to the Company will be addressed to the Company's Chief Executive Officer at the Company's principal place of business on file with the Secretary of State of the State of Nevada. Any and all notices or other communications or deliveries to be provided by the Company to any Investor hereunder will be in writing and delivered personally, by electronic mail or facsimile, sent by a nationally recognized overnight courier service addressed to each Investor at the electronic mail, facsimile telephone number or address of such Investor appearing on the books of the Company, or if no such electronic mail, facsimile telephone number or address appears, at the principal place of business of the Investor. Any notice or other communication or deliveries hereunder will be deemed given and effective on the earliest of (1) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:30 p.m. Eastern time, (2) the date after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail later than 5:30 p.m. but prior to 11:59 p.m. Eastern time on such date, (3) the second business day following the date of mailing, if sent by nationally recognized overnight courier service, or (4) upon actual receipt by the party to whom such notice is required to be given, regardless of how sent.

B. Lost or Mutilated Debenture. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of Investor will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of this Debenture, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to Company (provided that if Investor is a financial institution or institutional investor its own agreement will be satisfactory) or in the case of any such mutilation upon surrender of such certificate, Company will, at its expense, execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

C. Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and will not be deemed to limit or affect any of the provisions hereof.

D. Choice of Law. This Debenture will be governed by the laws of the State of Nevada.

E. No Transfer of Debenture. This Debenture is non-transferable and may not be sold, transferred or assigned by Investor

IN WITNESS WHEREOF, the undersigned have executed this Debenture as of the date first set forth above.

Signed: _____
Name: _____
Title: Chief Executive Officer

Signed: _____
Name: _____
Title: Chief Financial Officer

Exhibit 3

Form of Transfer Agent Instructions

[Letterhead of Company]

April 6, 2016

ClearTrust, LLC
16540 Pointe Village Drive #206
Lutz, FL 33558

Re: Lucas Energy, Inc.

Ladies and Gentlemen:

In accordance with the Securities Purchase Agreement ("**Agreement**"), dated April 6, 2016, by and between Lucas Energy, Inc., a Nevada corporation ("**Company**"), and _____ ("**Investor**"), pursuant to which Company is required to reserve, issue and deliver shares ("**Shares**") of Company's Common Stock ("**Common Stock**") upon conversion of the Debenture and exercise of the Warrant purchased by Investor, this will serve as our irrevocable, absolute and unconditional instruction, authorization and direction to you to (a) immediately reserve 500,000 Shares for issuance to Investor, (b) upon receipt of written notice, from either Company or from Investor with a copy to Company, reserve any additional Shares requested to be reserved by either Company or Investor, and (c) whenever either Company or Investor delivers written instructions to you with a copy of a Delivery Notice, immediately issue the Shares requested by either Company or Investor. Capitalized terms used herein without definition will have the respective meanings ascribed to them in the Agreement.

The Shares will remain in the created reserve until the earlier of their issuance or such date as both Investor and Company provide written instructions that the Shares or any part of them may be taken out of the reserve and will no longer be subject to the terms of these instructions.

Upon your receipt of an instruction from either Company or Investor, you are to process the instruction without delay in accordance with your Routine or Rush procedures, as specified, and use your commercially reasonable best efforts to issue and make available for delivery to Investor the number of Shares set forth in the Delivery Notice as soon as reasonably practicable, and in any event within 3 trading days after receipt of the conversion notice, either: (a) only if you receive written notice that the Registration Statement is not effective and neither Company nor Investor provides an opinion of counsel to the effect that the Shares may be issued without restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing a restrictive legend; (b) only if Company is not approved through DTC, and either Company or Investor provides an opinion of counsel to the effect that the Shares may be issued without restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing no restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing no restrictive legend; or (c) if Company is DTC eligible and either Company or Investor provides an opinion of counsel to the

effect that the Shares may be issued without restrictive legend, by issuing pursuant to the DTC Fast Automated Securities Transfer (FAST) Program, crediting to Investor's or its designee's balance account with DTC through its Deposit Withdrawal At Custodian (DWAC) system, and notifying Investor to cause its bank or broker to initiate the transaction through the DWAC system.

Company and Investor understand that in order to issue unrestricted stock ClearTrust LLC will need to be able to verify on www.sec.gov that a valid registration of the shares is available. If a registration is not effective the following items will be required to issue unrestricted shares pursuant an exemption to registration: (a) an opinion of counsel of Company or Investor, in form, substance and scope customary for opinions of counsel in comparable transactions (and reasonably satisfactory to the transfer agent in accordance with standard industry custom and practice), (b) a seller's representation letter, (c) a copy of the Debenture or Warrant, and (d) proof of payment of payment for the security.

Company hereby confirms that the Shares should not be subject to any stop-transfer restrictions and will otherwise be freely transferable on the books and records of Company, and if the Shares are certificated, the certificates will not bear any legend restricting transfer of the Shares represented thereby, if a legal opinion is provided as set forth in the preceding paragraph.

Company hereby confirms that no instructions other than as contemplated herein will or may be given to you by Company with respect to the Shares. Company may not instruct you to disregard any reserve or Delivery Notice and you may not do so. You are to comply promptly with any Delivery Notice or share reservation notice received from Investor, notwithstanding any contrary instructions from Company.

Company will not replace you as Company's transfer agent, until a reputable registered transfer agent has agreed in writing to serve as Company's transfer agent and to be bound by all terms and conditions of this letter agreement. In the event that you resign as Company's transfer agent, Company will engage a suitable replacement reputable registered transfer agent that will agree to serve as transfer agent for Company and be bound by the terms and conditions of these irrevocable instructions as soon as practicable and in any event within 3 Trading Days. You may not disclose any information, deliver any documents, or transfer any files to any successor transfer agent until after Investor acknowledges in writing that a suitable successor transfer agent has agreed in writing to be bound by the terms and conditions of these instructions.

Company and Investor understand that ClearTrust, LLC will need payment of transfer agent fees prior to completing conversion(s). ClearTrust, LLC will not be responsible for processing conversions prior to payment of transfer fees not to exceed $150.00 plus shipping fees per conversion request for Routine processing (within 3 business days) or $250.00 plus shipping fees for Rush processing (within 24 hours).

Investor and Company understand that ClearTrust, LLC will not be required to perform any issuances or transfers of shares if (a) the request violates, or would be in violation of, any terms of the Transfer Agent Agreement, (b) such an issuance or transfer of shares be in violation of any state or federal securities laws or regulation or (c) the issuance or transfer of shares be prohibited or stopped as required or directed by a court order. If the Company informs you that

there is a court order stopping issuances and provides you with a certified copy of the order, once received, you will not be obligated to perform any issuances related to the Note and this agreement that are prohibited by the court order.

Company and you hereby acknowledge and confirm that complying with the terms of these instructions does not and will not prohibit you from satisfying any and all fiduciary responsibilities and duties you may owe to Company.

Company will indemnify you and your officers, directors, principals, partners, advisors, attorneys, agents and representatives, and hold each of them harmless from and against any and all loss, cost, liability, damage, claim or expense (including the reasonable fees and disbursements of attorneys) incurred by or asserted against you or any of them arising out of or in connection with complying with any Delivery Notice or any other instruction from Investor, except that Company will not be liable hereunder for any failure by you to comply with a Delivery Notice or any other instructions from Investor, or as to amounts in respect of which it is finally determined by a court of competent jurisdiction to be due solely to your fraud, willful misconduct or gross negligence. You are entitled to indemnity and will have no liability to Company in respect of any action taken in compliance with any Delivery Notice or instruction from Investor, notwithstanding any contrary instructions from Company. Accordingly, you will have no duty or obligation to confirm the accuracy of any calculations or information set forth in any Delivery Notice submitted by the Investor.

Investor is intended to be and is a third party beneficiary hereof, and no amendment or modification to the instructions set forth herein may be made without the prior written consent of Investor. The above instructions cannot be revoked, cancelled or modified without prior written approval of Investor.

The Board of Directors of Company has approved the foregoing irrevocable instructions and does hereby extend Company's irrevocable agreement to indemnify your firm for all loss, liability or expense in carrying out the authority and direction herein contained on the terms herein set forth. You have not previously received contrary instructions from Company or its agents, nor are you aware of any facts or circumstances that would make the transaction improper or illegal under applicable laws or regulations.

The terms of this letter will be governed by the laws of the State of Florida without regard to the conflicts of laws principles thereof, and any action arising out of or relating to these instructions by be filed in Hillsborough County District Court or the U.S. District Court for the Florida Middle District.

IN WITNESS WHEREOF, the parties have caused this letter agreement regarding Transfer Agent Instructions to be duly executed and delivered as of the date first written above.

LUCAS ENERGY, INC.

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED:

CLEARTRUST, LLC

By: _____
Name: _____
Title: _____

Appendix I

Form of Delivery Notice

DELIVERY NOTICE

Reference is made to the Redeemable Convertible Subordinated Debenture ("**Debenture**") issued by Lucas Energy, Inc., a Nevada corporation ("**Company**") to the Investor named below pursuant to the Securities Purchase Agreement dated April 6, 2016. In accordance with and pursuant to the Debenture, Investor hereby converts the portion of Debenture stated below into shares of Common Stock ("**Common Stock**") of Company, as of the date and time first stated below.

Notice Time: XX/XX/20XX, XX:XX x.m. Eastern time

Amount of Debenture to be converted: $XXX,XXX.00

Conversion Price: $3.25

Number of shares of Common Stock to be issued for Conversion: XX,XXX

Relevant Interest Rate: X% based on VWAP of $X.XX on XX/XX/20XX

Conversion Premium: $X,XXX.00

Conversion Premium amount paid in cash: $0.00

Estimated lowest daily VWAP during Measurement Period, or lowest sales price on last day of Measurement Period: $X.XX

Estimated Conversion Premium price per share: $X.XX

Estimated number of shares of Common Stock to be issued for Conversion Premium: XX,XXX

Estimated total shares of Common Stock to be issued: XX,XXX

Prior Common Stock issuances related to this Delivery Notice: 0

Shares of Common Stock to be issued now, subject to 4.99% issuance limitation: XX,XXX

Please issue the Common Stock being converted via DWAC in the following name and to the

following broker(s), and notify when Company's transfer agent is ready for broker to initiate DWAC:

Shares:	XX,XXX
Issue to:	INVESTOR NAME
Broker:	BROKER NAME
Address:	BROKER ADDRESS
Account #:	XXX-XXX
DTC#	XXXX
Contact:	NAME AND TELEPHONE

Shares:	XX,XXX
Issue to:	INVESTOR NAME
Broker:	BROKER NAME
Address:	BROKER ADDRESS
Account #:	XXX-XXX
DTC#	XXXX
Contact:	NAME AND TELEPHONE

Exhibit 4

Form of Officer's Certificate

LUCAS ENERGY, INC.

April 6, 2016

The undersigned hereby certifies that:

The undersigned is the duly appointed Chief Executive Officer of Lucas Energy, Inc., a Nevada corporation ("**Company**").

This Officer's Certificate ("**Certificate**") is being delivered to _____ ("**Investor**"), by Company, to fulfill the requirement under the Securities Purchase Agreement, dated April 6, 2016, between Investor and Company ("**Agreement**"). Terms used and not defined in this Certificate have the meanings set forth in the Agreement.

The representations and warranties of Company set forth in Sections III.A and III.B of the Agreement are true and correct in all material respects as if made on the above date (except for any representations and warranties that are expressly made as of a particular date, in which case such representations and warranties will be true and correct in all material respects as of such particular date), and no default has occurred under the Agreement, or any other agreement with Investor or any Affiliate of Investor.

Company is not, and will not be as a result of the Closing, in default of the Agreement, any other agreement with Investor or any Affiliate of Investor.

All of the conditions to the Closing required to be satisfied by Company prior to the Closing have been satisfied in their entirety.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date set forth above.

Signed: _____
Name: _____
Title: _____

Exhibit 5

Form of Secretary's Certificate

April 6, 2016

The undersigned hereby certifies that:

The undersigned is the duly appointed Secretary of Lucas Energy, Inc., a Nevada corporation (the "**Company**").

This Secretary's Certificate ("**Certificate**") is being delivered to _____ ("**Investor**"), by Company, to fulfill the requirement under the Securities Purchase Agreement, dated April 6, 2016, between Investor and Company ("**Agreement**"). Terms used and not defined in this Certificate have the meanings set forth in the Agreement.

Attached hereto as **Exhibit "A"** is a true, correct and complete copy of the Certificate of Incorporation of Company, as in effect on the Effective Date.

Attached hereto as **Exhibit "B"** is a true, correct and complete copy of the Bylaws of Company, as in effect on the Effective Date.

Attached hereto as **Exhibit "C"** is a true, correct and complete copy of the resolutions of the Board of Directors of Company authorizing the Agreement, the Transaction Documents, and the transactions contemplated thereby. Such resolutions have not been amended or rescinded and remain in full force and effect as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Secretary's Certificate as of the date set forth above.

Signed: _____
Name: _____
Title: _____

Exhibit 6

Form of Warrant

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

LUCAS, ENERGY, INC.

COMMON STOCK PURCHASE WARRANT

Warrant Shares: 1,384,616

Issuance Date: April 6, 2016
Expiration Date: March 31, 2017

This Common Stock Purchase Warrant ("**Warrant**") certifies that, for value received, _____ ("**Investor**") is entitled and obligated, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, to subscribe for and purchase from Lucas Energy, Inc., a Nevada corporation ("**Company**"), 1,384,616 shares (as subject to adjustment hereunder, "**Warrant Shares**") of Common Stock, at an exercise price equal to $3.25, subject to adjustment hereunder ("**Conversion Price**") per share of Common Stock, for total aggregate purchase price of $4,500,000.00 ("**Purchase Price**").

I. Warrant.

A. Issuance. This Warrant is issued pursuant to that certain Securities Purchase Agreement ("**Agreement**") of even date herewith. Capitalized terms not otherwise defined herein will have the meanings defined in the Agreement.

B. Automatic Exercise. Exercise of the purchase rights and obligations represented by this Warrant will be made automatically in whole immediately upon the last to occur of the Approval, the Acquisition, and the Registration Statement being declared effective by the Commission, by delivery to or from Investor or Company (or such other office or agency of Company as it may designate by notice in writing to Investor) of a Conversion Notice, and

Investor paying Company the Purchase Price by wire transfer of immediately available funds before or within 3 Trading Days after the Notice Time. No ink-original Delivery Notice will be required, nor will any medallion guarantee (or other type of guarantee or notarization) of any Delivery Notice form be required. Investor will not be required to physically surrender this Warrant to Company.

C. No Transfer of Warrant. This Warrant is non-transferable and may not be sold, transferred or assigned by Investor.

D. No Cashless Exercise. No cashless exercise of this Warrant will be permitted.

E. Liquidation. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Company, prior to any distribution or payment made to the holders of Common Stock or Preferred Stock by reason of their ownership thereof, Investor will be entitled to be paid out of the assets of the Company available for distribution an amount with respect to any unexercised portion of this Warrant equal to the Purchase Price for such unexercised portion of this Warrant, plus an amount equal to any accrued but unpaid Premium thereon (collectively with the Purchase Price, the "**Liquidation Value**"). The Liquidation Value, and upon any redemption of this Warrant pursuant to **Section I.F**, the Maturity Redemption Price, Early Redemption Price, or Liquidation Value, as applicable, will be reduced by the amount of any unpaid Purchase Price, and any Premium or Conversion Premium with respect thereto, whether or not required to be paid. By way of example, if Investor has paid none of the Purchase Price, the Maturity Redemption Price, Early Redemption Price and Liquidation Value will be zero.

F. Redemption.

1. Company's Redemption Option. On the Warrant Maturity Date, the Company may redeem the entire unexercised portion of this Warrant by paying Investor in cash an amount per share equal to 100% of the Purchase Price for such unexercised portion of this Warrant (the "**Maturity Redemption Price**").

2. Early Redemption. Prior to the Warrant Maturity Date, provided that no Trigger Event has occurred, the Company will have the right at any time upon 30 Trading Days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of this Warrant then outstanding by paying Investor in cash an amount (the "**Early Redemption Price**") equal to the sum of the following: (a) 100% of the Purchase Price for such unexercised portion of this Warrant, plus (b) the Conversion Premium thereon, minus (c) any Premium thereon that has been paid.

3. Credit Risk Adjustment.

a. Premium.

i. Commencing on the date of the issuance of this Warrant ("**Issuance Date**"), this Warrant will accrue a premium ("**Premium**"), at a rate equal to 6.0% per annum, subject to adjustment as provided in this Warrant ("**Premium Rate**"), of the Purchase

Price. The Premium will be payable with respect to any part of this Warrant upon any of the following: (a) upon redemption of such part in accordance with **Section I.F**; and (b) upon conversion of such part in accordance with **Section I.G**.

ii. Premium, as well as any applicable Conversion Premium payable hereunder, will be paid: (a) in the Company's sole and absolute discretion, immediately in cash; or (b) if Company notifies Investor it will not pay all or any portion in cash, or to the extent cash is not paid and received as soon as practicable, and in any event within 1 Trading Day after the Notice Time, for any reason whatsoever, in shares of Common Stock valued at (i) if there has never been a Trigger Event, (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less $0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less $0.05 per share of Common Stock (ii) following any Trigger Event, (A) 85.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Investor, less $0.10 per share of Common Stock, not to exceed (B) 85.0% of the lowest sales price on the last day of any Measurement Period, less $0.10 per share of Common Stock. In no event will the value of Common Stock pursuant to the foregoing be below the par value per share. All amounts that are required or permitted to be paid in cash pursuant to this Warrant will be paid by wire transfer of immediately available funds to an account designated by Investor.

iii. The Premium Rate will adjust downward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric rises above the Maximum Triggering Level, down to a minimum of 0.0%.

iv. The Premium Rate will adjust upward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric falls below the Minimum Triggering Level, up to a maximum of 24.95%. In addition, the Premium Rate will adjust upward by 10.0% following the occurrence of any Trigger Event.

v. The adjusted Premium Rate used for calculation of the Liquidation Value, Conversion Premium, Early Redemption Price and Premium, as applicable, and the amount of Premium owed will be calculated and determined based upon the Measuring Metric at close of the Trading Market immediately prior to the Notice Time.

4. Mandatory Redemption. If the Company determines to liquidate, dissolve or wind-up its business and affairs, the Company will prior to or concurrently with the closing, effectuation or occurrence any such action, redeem the entire unexercised portion of this Warrant for cash, by wire transfer of immediately available funds to an account designated by Investor, at the Early Redemption Price set forth in **Section I.F.2** if the event is prior to the Warrant Maturity Date, or at the Liquidation Value if the event is on or after the Warrant Maturity Date.

5. Mechanics of Redemption. In order to redeem all or any portion of the Warrant then outstanding, the Company must deliver written notice (each, a "**Redemption Notice**") to Investor setting forth (a) the portion of this Warrant that the Company is redeeming, (b) the applicable Premium Rate, Liquidation Value and Early Redemption Price, and (c) the

calculation of the amount paid. In connection with a mandatory redemption, the notice will be delivered as soon as the number of shares can be determined, and in all other instances at least 30 Trading Days prior to payment. For the avoidance of doubt, the delivery of a Redemption Notice will not affect Investor's rights under **Section I.G** until after receipt of cash payment by Investor at the required time.

G. Exercise.

1. Mechanics of Exercise.

a. Promptly upon the occurrence of the automatic exercise provided for in **Section I.B.**, Investor will deliver a written notice to the Company and its transfer agent ("**Conversion Notice**" and with the Redemption Notice, each an "**Initial Notice**") of the automatic conversion of this Warrant.

b. Each Delivery Notice will set forth the amount of Warrant being converted, the minimum number of Conversion Shares and the amount of Premium and any applicable Conversion Premium due as of the time the Delivery Notice is given (the "**Notice Time**"), and the calculation thereof.

b. If the Company notifies Investor by 10:00 a.m. Eastern time on the Trading Day after the Notice Time that it is paying all or any portion of Premium or Conversion Premium, and actually pays in cash by the next Trading Day, time being of the essence, the full amount of Premium and Conversion Premium stated in the Delivery Notice, no further amount will be due with respect thereto.

c. As soon as practicable, and in any event within 1 Trading Day of the Notice Time, time being of the essence, the Company will do all of the following: (i) transmit the Delivery Notice by facsimile or electronic mail to the Investor, and to the Company's transfer agent (the "**Transfer Agent**") with instructions to comply with the Delivery Notice; (ii) either (A) if the Company is approved through The Depository Trust Company ("**DTC**"), authorize and instruct the credit by the Transfer Agent the aggregate number of Conversion Shares set forth in the Delivery Notice, to Investor's or its designee's balance account with the DTC Fast Automated Securities Transfer (FAST) Program, through its Deposit/Withdrawal at Custodian (DWAC) system, or (B) only if the Company is not approved through DTC, issue and surrender to a common carrier for overnight delivery to the address as specified in the Delivery Notice a certificate registered in the name of Investor or its designee, for the number of Conversion Shares set forth in the Delivery Notice, bearing no restrictive legend unless a registration statement covering the Conversion Shares is not effective and neither Company nor Investor provides an opinion of counsel to the effect that Conversion Shares may be issued without restrictive legend; and (iii) if it contends that the Delivery Notice is in any way incorrect, a through explanation of why and its own calculation, or the Delivery Notice will conclusively be deemed correct for all purposes. The Company will at all times diligently take or cause to be taken all actions reasonably necessary to cause the Conversion Shares to be issued as soon as practicable.

d. If during the Measurement Period the Investor is entitled to receive additional Conversion Shares with regard to an Initial Notice, Investor may at any time deliver one

or more additional written notices to the Company or its transfer agent (each, an "**Additional Notice**" and with the Initial Notice, each a "**Delivery Notice**") setting forth the additional number of Conversion Shares to be delivered, and the calculation thereof.

e. If the Company for any reason does not issue or cause to be issued to the Investor within 3 Trading Days after the date of a Delivery Notice, the number of Conversion Shares stated in the Delivery Notice, then, in addition to all other remedies available to the Investor, as liquidated damages and not as a penalty, the Company will pay in cash to the Investor on each day after such 3rd Trading Day that the issuance of such Conversion Shares is not timely effected an amount equal to 2% of the product of (i) the aggregate number of Conversion Shares not issued to the Investor on a timely basis and to which the Investor is entitled and (ii) the highest Closing Price of the Common Stock between the date on which the Company should have issued such shares to the Investor and the actual date of receipt of Conversion Shares by Investor. It is intended that the foregoing will serve to reasonably compensate Investor for any delay in delivery of Conversion Shares, and not as punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from delay in delivery are difficult to estimate and would be difficult for Investor to prove.

f. Notwithstanding any other provision: all of the requirements of **Section I.F** and this **Section I.G** are each independent covenants; the Company's obligations to issue and deliver Conversion Shares upon any Delivery Notice are absolute, unconditional and irrevocable; any breach or alleged breach of any representation or agreement, or any violation or alleged violation of any law or regulation, by any party or any other person will not excuse full and timely performance of any of the Company's obligations under these sections; and under no circumstances may the Company seek or obtain any temporary, interim or preliminary injunctive or equitable relief to prevent or interfere with any issuance of Conversion Shares to Investor.

g. If for any reason whatsoever Investor does not timely receive the number of Conversion Shares stated in any Delivery Notice, Investor will be entitled to a compulsory remedy of immediate specific performance, temporary, interim and, preliminary and final injunctive relief requiring Company and its transfer agent, attorneys, officers and directors to immediately issue and deliver the number of Conversion Shares stated by Investor, which requirement will not be stayed for any reason, without the necessity of posting any bond, and which Company may not seek to stay or appeal.

h. No fractional shares of Common Stock are to be issued upon conversion of this Warrant, but rather the Company will issue to Investor scrip or warrants registered on the books of the Company (certificated or uncertificated) which will entitle Investor to receive a full share upon the surrender of such scrip or warrants aggregating a full share. The Investor will not be required to deliver the original Warrant in order to effect a conversion hereunder. The Company will pay any and all taxes which may be payable with respect to the issuance and delivery of any Conversion Shares.

2. **Exercise.** Upon receipt of the Conversion Notice, the Company will (a) satisfy the payment of Premium and Conversion Premium as provided in **Section I.F.3.a.ii,** and (b) issue to Investor a number of Conversion Shares equal to (i) the Purchase Price of the portion

converted divided by (ii) the applicable Conversion Price with respect to such portion of the Warrant; all in accordance with the procedures set forth in **Section I.G.1**.

3. **Stock Splits.** If the Company at any time on or after the filing of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock issuable will be proportionately increased. If the Company at any time on or after such Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such combination will be proportionately increased and the number of Conversion Shares will be proportionately decreased. Any adjustment under this Section will become effective at the close of business on the date the subdivision or combination becomes effective.

4. **Notices.** The holders of shares of Warrant are entitled to the same rights as the holders of Common Stock with respect to rights to receive notices, reports and audited accounts from the Company and with respect to attending stockholder meetings.

5. **Definitions.** The following terms will have the following meanings:

a. **"Adjustment Factor"** means $0.10 per share of Common Stock.

b. **"Acquisition"** means the closing of the acquisition of assets contemplated by that certain Asset Purchase Agreement dated December 30, 2015 between Company and the sellers named therein, as disclosed in the current report on Form 8-K filed with the Securities & Exchange Commission on December 31, 2015.

c. "**Closing Price**" means, for any security as of any date, the last closing bid price for such security on the Trading Market, or, if the Trading Market begins to operate on an extended hours basis and does not designate the closing bid price, then the last bid price of such security prior to 4:00 p.m., Eastern time, or, if the Trading Market is not the principal securities exchange or trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security, or, if no closing bid price is reported for such security, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.).

d. "**Conversion Premium**" for each portion of Warrant means the Purchase Price, multiplied by the product of (i) the applicable Premium Rate, and (ii) the number of whole years between the Issuance Date and the Warrant Maturity Date.

e. "**Conversion Price**" means a price per share of Common Stock equal to $3.25 per share of Common Stock, subject to adjustment as otherwise provided herein.

f. "**Conversion Shares**" means all shares of Common Stock that are required to be or may be issued upon conversion of Warrant.

g. "**Equity Conditions**" means on each day during the Measurement Period, (i) the Common Stock is not under chill or freeze from DTC, the Common Stock is designated for trading on OTCQB or higher market and will not have been suspended from trading on such market, and delisting or suspension by the Trading Market has not been threatened or pending, either in writing by such market or because Company has fallen below the then effective minimum listing maintenance requirements of such market; (ii) the Company has delivered Conversion Shares upon all conversions or redemptions of the Warrant in accordance with their terms to the Investor on a timely basis; (iii) the Company will have no knowledge of any fact that would cause both of the following (A) a registration statement not to be effective and available for the resale of all Conversion Shares, and (B) Section 3(a)(9) under the Securities Act of 1933, as amended, not to be available for the issuance of all Conversion Shares, or Regulation S or Securities Act Rule 144 not to be available for the resale of all the Conversion Shares underlying the Warrant without restriction; (iv) there has been a minimum of $5 million in aggregate trading volume over the last 20 consecutive Trading Days; (v) all shares of Common Stock to which Investor is entitled have been timely received into Investor's designated account in electronic form fully cleared for trading; (vi) the Company otherwise will have been in compliance with and will not have breached any provision, covenant, representation or warranty of any Transaction Document; (vii) the Measuring Metric is at least $1.50.

h. **"Warrant Maturity Date**" means the date that is 7 years after the Issuance Date.

i. "**Measurement Period**" means the period beginning, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, before the Notice Date, and ending, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, after the number of Conversion Shares stated in the initial Notice have actually been received into Investor's designated brokerage account in electronic form and fully cleared for trading; provided that for each day during the Measurement Period on which less than all of the conditions set forth in **Section I.G.6.h** exist, 1 Trading Day will be added to what otherwise would have been the end of the Measurement Period.

j. "**Measuring Metric**" means the volume weighted average price of the Common Stock on any Trading Day following the Issuance Date of the Warrant.

k. **"Maximum Triggering Level"** means $3.75 per share of Common Stock.

l. "**Minimum Triggering Level**" means $2.75 per share of Common Stock.

m. "**Spread Adjustment**" means 100 basis points.

n. "**Securities Purchase Agreement**" means the Securities Purchase Agreement or other agreement pursuant to which the Warrant is issued, including all exhibits thereto and all related Transaction Documents as defined therein.

o. "**Trading Day**" means any day on which the Common Stock is traded on the Trading Market.

p. "**Trading Market**" means the NYSE MKT or whatever is at the applicable time, the principal U.S. trading exchange or market for the Common Stock. All Trading Market data will be measured as provided by the appropriate function of the Bloomberg Professional service of Bloomberg Financial Markets or its successor performing similar functions.

7. Issuance Limitations.

a. Beneficial Ownership. Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Investor which, when aggregated with all other shares of Common Stock then deemed beneficially owned by Investor, would result in Investor owning more than 4.99% of all Common Stock outstanding immediately after giving effect to such issuance, as determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder; provided, however, that Investor may increase such amount to 9.99% upon not less than 61 days' prior notice to the Company. To the extent that any exercise would otherwise result in exceeding the beneficial ownership limitation set forth in the preceding sentence, the Delivery Notice will specify the number of shares that may be delivered without exceeding the limitation, and any issuance beyond such extent will be held in abeyance until such time as it would not result in Investor exceeding the beneficial ownership limitation. No provision of this paragraph may be waived by Investor or the Company.

b. Principal Market Regulation. Company will not issue any Conversion Shares under this Warrant, the Debenture issued to Holder on the Issuance Date, the Stock Purchase Agreement with Investor dated the Issuance Date, the Series B Preferred Stock or the Common Stock Purchase Warrant issued to Investor pursuant thereto, if the issuance would exceed the aggregate number of shares of Common Stock the Company may issue without breaching Company's obligations under NYSE MKT rules, except that such limitation will not apply following stockholder approval in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**").

H. Trigger Event.

1. Any occurrence of any one or more of the following will constitute a "**Trigger Event**":

(a) Investor does not timely receive the number of Conversion Shares stated in any Conversion Notice under this Debenture or any other agreement with Investor for any reason whatsoever, time being of the essence, including without limitation the issuance of restricted shares if counsel for Company or Investor provides a legal opinion that shares may be issued without restrictive legend;

(b) Any violation of or failure to timely perform any covenant or provision of this Warrant, the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor, related to payment of cash, registration or delivery of Conversion Shares, time being of the essence;

(c) Any violation of or failure to perform any covenant or provision of this Warrant, the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor, which in the case of a default that is curable, is not related to payment of cash, registration or delivery of Conversion Shares, and has not occurred before, is not cured within 5 Trading Days of written notice thereof;

(d) Any representation or warranty made in the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor will be untrue, incorrect, or misleading in any material respect as of the date when made or deemed made;

(e) The occurrence of any default or event of default under any material agreement, lease, document or instrument to which the Company or any subsidiary other than CATI Operating LLC, a Texas limited liability company ("**CATI**") is obligated, including without limitation of an aggregate of at least $500,000 of indebtedness;

(f) While any Registration Statement is required to be maintained effective, the effectiveness of the Registration Statement lapses for any reason, including, without limitation, the issuance of a stop order, or the Registration Statement, or the prospectus contained therein, is unavailable to Investor sale of all Conversion Shares for any 5 or more Trading Days, which may be non-consecutive;

(g) The suspension from trading or the failure of the Common Stock to be trading or listed on the Trading Market;

(h) The Company notifies Investor, including without limitation, by way of public announcement or through any of its attorneys, agents or representatives, of its intention not to comply, as required, with a Conversion Notice under this Debenture or any other agreement with Investor, at any time, including without limitation any objection or instruction to its transfer agent not to comply with any notice from Investor;

(i) Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors will be instituted by or against the Company or any subsidiary other than CATI and, if instituted against the Company or any subsidiary other than CATI by a third party, an order for relief is entered or the proceedings are not dismissed within 30 days of their initiation;

(j) The appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, or other similar official of the Company or any subsidiary other than CATI or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any subsidiary other than CATI in furtherance of any such action or the taking of any action by any person to commence a foreclosure sale or any other similar action under any applicable law;

(k) A final judgment or judgments for the payment of money aggregating in excess of $500,000 are rendered against the Company or any of its subsidiaries other than CATI and are not stayed or satisfied within 30 days of entry;

(l) The Company does not for any reason timely comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, including without limitation timely filing when first due all periodic reports;

(m) Any regulatory, administrative or enforcement proceeding is initiated against Company or any subsidiary (except to the extent an adverse determination would not have a material adverse effect on the Company's business, properties, assets, financial condition or results of operations or prevent the performance by the Company of any material obligation under the Transaction Documents); or

(n) Any material provision of this Warrant will at any time for any reason, other than pursuant to the express terms thereof, cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof will be contested by any party thereto, or a proceeding will be commenced by the Company or any subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any subsidiary denies that it has any liability or obligation purported to be created under this Warrant.

2. It is intended that all adjustments made following a Trigger Event will serve to reasonably compensate Investor for the consequences and increased risk following a Trigger Event, and not as a penalty or punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from a Trigger Event are difficult to estimate and would be difficult for Investor to prove.

II. Miscellaneous.

A. Notices. Any and all notices to the Company will be addressed to the Company's Chief Executive Officer at the Company's principal place of business on file with the Secretary of State of the State of Nevada. Any and all notices or other communications or deliveries to be provided by the Company to any Investor hereunder will be in writing and delivered personally, by electronic mail or facsimile, sent by a nationally recognized overnight courier service addressed to each Investor at the electronic mail, facsimile telephone number or address of such Investor appearing on the books of the Company, or if no such electronic mail, facsimile telephone number or address appears, at the principal place of business of the Investor. Any notice or other communication or deliveries hereunder will be deemed given and effective on the earliest of (1) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:30 p.m. Eastern time, (2) the date after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail later than 5:30 p.m. but prior to 11:59 p.m. Eastern time on such date, (3) the second business day following the date of mailing, if sent by nationally recognized overnight courier service, or (4) upon actual receipt by the party to whom such notice is required to be given, regardless of how sent.

B. Lost or Mutilated Warrant. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of Investor will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to Company (provided that if Investor is a financial

institution or institutional investor its own agreement will be satisfactory) or in the case of any such mutilation upon surrender of such certificate, Company will, at its expense, execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

C. Headings. The headings contained herein are for convenience only, do not constitute a part of this Warrant and will not be deemed to limit or affect any of the provisions hereof.

D. Choice of Law. This Warrant will be governed by the laws of the State of Nevada.

E. No Rights as Stockholder Until Exercise. This Warrant does not entitle Investor to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the undersigned have executed this Warrant as of the date first set forth above.

Signed: _____
Name: _____
Title: Chief Executive Officer

Signed: _____
Name: _____
Title: Chief Financial Officer

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement ("**Agreement**") is made and entered into on April 6, 2016 ("**Effective Date**"), by and between Lucas Energy, Inc., a Nevada corporation ("**Company**"), and the investor whose name appears on the signature page hereto ("**Investor**").

Recitals

A. The parties desire that, upon the terms and subject to the conditions herein, Investor will purchase $5 million in shares of Series C Redeemable Convertible Preferred Stock of the Company, which are convertible into shares of Common Stock at $3.25 per share, and a Warrant to purchase up to $5 million in shares of Common Stock at a strike price of $4.50 per share; and

B. The offer and sale of the Securities provided for herein are being made pursuant to the exemptions from registration under Section 4(a)(2) of the Act as a transaction by an issuer not involving any public offering, and as an offshore private placement of restricted securities pursuant to Regulation S and Rule 506 of Regulation D.

Agreement

In consideration of the foregoing, the receipt and adequacy of which are hereby acknowledged, Company and Investor agree as follows:

I. Definitions. In addition to the terms defined elsewhere in this Agreement and the Transaction Documents, capitalized terms that are not otherwise defined have the meanings set forth in the Glossary of Defined Terms attached hereto as **Exhibit 1** or the other Transaction Documents.

II. Purchase and Sale.

A. Purchase Amount. Subject to the terms and conditions herein and the satisfaction of the conditions to Closing set forth below, Investor hereby irrevocably agrees to purchase 53 Preferred Shares of Company at $10,000.00 per share with a 5.0% original issue discount ("**OID**") for the sum of $500,000.00 ("**Purchase Amount**").

B. Deliveries. The following documents will be fully executed and delivered at the Closing:

1. Certificate of Designations ("**Certificate of Designations**"), in the form attached hereto as **Exhibit 2**, as filed with and accepted by the Secretary of State of Company's state of incorporation;

2. Transfer Agent Instructions, in substantially the form attached hereto as **Exhibit 3**;

3. Legal Opinion, in the form mutually agreed prior to the Effective Date;

4. Officer's Certificate, in the form attached hereto as **Exhibit 4**;

5. Secretary's Certificate, in the form attached hereto as **Exhibit 5**;

6. Common Stock Purchase Warrant ("**Warrant**"), in the form attached hereto as **Exhibit 6**; and

7. Stock certificate or Transfer Agent book entry for the number of purchased Preferred Shares in the name of Investor.

C. **Closing Conditions**. The consummation of the transactions contemplated by this Agreement ("**Closing**") is subject to the satisfaction of each of the following conditions:

1. All documents, instruments and other writings required to be delivered by Company to Investor pursuant to any provision of this Agreement or in order to implement and effect the transactions contemplated herein have been fully executed and delivered, including without limitation those enumerated in **Section II.B** above;

2. The Common Stock is listed for and currently trading on the same or higher Trading Market and, subject to **Section IV.L** below, Company is in compliance with all requirements to maintain listing on the Trading Market, and there is no notice of any suspension or delisting with respect to the trading of the shares of Common Stock on such Trading Market;

3. The representations and warranties of Company and Investor set forth in this Agreement are true and correct in all material respects as if made on such date (except for representations and warranties expressly made as of a specified date, which will be true as of such date);

4. No material breach or default has occurred under any Transaction Document or any other agreement between Company and Investor;

5. Company has the number of duly authorized shares of Common Stock reserved for issuance as required pursuant to the terms of this Agreement;

6. There is not then in effect any law, rule or regulation prohibiting or restricting the transactions contemplated in any Transaction Document, or requiring any consent or approval which will not have been obtained, other than Approval, nor is there any completed, pending or, to Company's knowledge, threatened or contemplated proceeding or investigation which may have the effect of prohibiting or adversely affecting any of the transactions contemplated by this Agreement, including without limitation the sale, issuance, listing, trading or resale of the Conversion Shares on the Trading Market; no statute, rule, regulation, executive order, decree, ruling or injunction will have been enacted, entered, promulgated or adopted by any court or governmental authority of competent jurisdiction that prohibits the transactions contemplated by this Agreement, and no actions, suits or proceedings will be completed, in progress, pending or, to Company's knowledge, threatened or contemplated by any person other than Investor or any Affiliate of Investor, that seek to enjoin or prohibit the transactions contemplated by this Agreement;

7. Company will have received preliminary approval from NYSE MKT to list the Conversion Shares;

8. Any rights of first refusal, preemptive rights, rights of participation, or any similar right to participate in the transactions contemplated by this Agreement, if any, have been waived in writing; and

9. The Acquisition has been fully completed.

D. Closing. Immediately when all conditions set forth in **Section II.C** have been fully satisfied, Company will issue and sell to Investor and Investor will purchase 53 Preferred Shares by payment to Company of $500,000.00 in cash, by wire transfer of immediately available funds to an account designated by Company.

E. Company Option. At any time within 1 Trading Day after the Registration Statement has been declared effective, Company may, in its sole discretion, deliver written notice to Investor of Company's election to sell to Investor an additional 474 Preferred Shares at $10,000.00 per Preferred Share with a 5.0% OID for the sum of $4,500,000.00. Subject to Approval having been obtained and the terms and conditions herein, immediately when all conditions in **Section II.C** have been fully satisfied as of such date, (1) Investor will purchase and make payment for the specified number of additional Preferred Shares by payment to Company in cash, by wire transfer of immediately available funds to an account designated by Company, and (2) Company will deliver to Purchaser a certificate or Transfer Agent book entry for the number of purchased Preferred Shares in the name of Investor.

III. Representations and Warranties.

A. Representations Regarding Transaction. Except as set forth under the corresponding section of the Disclosure Schedules, if any, Company hereby represents and warrants to, and as applicable covenants with, Investor as of the Closing:

1. Organization and Qualification. Company and each Subsidiary is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as applicable, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents, except as would not reasonably be expected to result in a Material Adverse Effect. Each of Company and each Subsidiary is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not reasonably be expected to result in a Material Adverse Effect and there is no completed, pending or, to Company's knowledge, threatened or contemplated proceeding in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

2. Authorization; Enforcement. Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder or thereunder. The execution and delivery of each of the Transaction Documents by Company and the consummation by it of the transactions contemplated hereby or thereby have been duly authorized by all necessary action on the part of Company and no further consent or action is required by Company. Each of the Transaction Documents has been, or upon delivery will be, duly executed by Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of Company, enforceable against Company in accordance with its terms, except (a) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (c) insofar as indemnification and contribution provisions may be limited by applicable law.

3. No Conflicts. The execution, delivery and performance of the Transaction Documents by Company, the issuance and sale of the Securities and the consummation by Company of the other transactions contemplated thereby do not and will not (a) conflict with or violate any provision of Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (b) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any material agreement, credit facility, debt or other instrument (evidencing Company or Subsidiary debt or otherwise) or other understanding to which Company or any Subsidiary is a party or by which any property or asset of Company or any Subsidiary is bound or affected, (c) conflict with or result in a violation of any material law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which Company or a Subsidiary is subject (including U.S. federal and state securities laws and regulations), or by which any material property or asset of Company or a Subsidiary is bound or affected, or (d) conflict with or violate the terms of any material agreement by which Company or any Subsidiary is bound or to which any property or asset of Company or any Subsidiary is bound or affected; except in the case of each of clauses (b), (c) and (d), such as would not reasonably be expected to result in a Material Adverse Effect.

4. Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation completed, pending or, to Company's knowledge, threatened or contemplated against or affecting Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "**Action**"), which would reasonably be expected to adversely affect or challenge the legality, validity or enforceability of any of the Transaction Documents or the sale, issuance, listing, trading or resale of the Conversion Shares on the Trading Market hereunder. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by Company or any Subsidiary under the Exchange Act or the Act.

5. Filings, Consents and Approvals. Neither Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by Company of the Transaction Documents, other than required federal and state securities filings and such filings and approvals as are required to be made or obtained under the applicable Trading Market rules in connection with the transactions contemplated hereby, each of which has been, or if not yet required to be filed will be, timely filed.

6. Issuance of Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens. Company has reserved and will continue to reserve from its duly authorized capital stock sufficient shares of its Common Stock for issuance pursuant to the Transaction Documents.

7. Disclosure; Non-Public Information. Company will timely file a current report on Form 8-K ("**Current Report**") by 8:30 am Eastern time on the Trading Day after the Effective Date describing the material terms and conditions of this Agreement, a copy of which has been provided to Investor prior to the Effective Date. All information that Company has provided to Investor that constitutes or might constitute material, non-public information will be included in the Current Report. Notwithstanding any other provision, except for information that will be included in the Current Report, (a) neither Company nor any other Person acting on its behalf has provided Investor or its representatives, agents or attorneys with any information that constitutes or might constitute material, non-public information, including without limitation this Agreement and the Exhibits and Disclosure Schedules hereto, (b) no information contained in the Disclosure Schedules constitutes material non-public information and (c) there is no adverse material information regarding Company that has not been publicly disclosed prior to the Effective Date. Company understands and confirms that Investor will rely on the foregoing representations and covenants in effecting transactions in securities of Company. All disclosure provided to Investor regarding Company, its business and the transactions contemplated hereby, including without limitation the Disclosure Schedules, furnished by or on behalf of Company with respect to the representations and warranties made herein are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

8. No Integrated Offering. Neither Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering to be integrated with prior offerings by Company that cause a violation of the Act or any applicable stockholder approval provisions other than Approval, including, without limitation, under the rules and regulations of the Trading Market.

9. Financial Condition. The Public Reports set forth as of the dates thereof all outstanding secured and unsecured Indebtedness of Company or any Subsidiary, or for which Company or any Subsidiary has commitments, and any material default with respect to any Indebtedness. Company does not intend to incur debts beyond its ability to pay such debts as they

mature, taking into account the timing and amounts of cash to be payable on or in respect of its debt.

10. **Section 5 Compliance.** No representation or warranty or other statement made by Company in the Transaction Documents contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading. Company is not aware of any facts or circumstances that would cause the transactions contemplated by the Transaction Documents, when consummated, to violate Section 5 of the Act or other federal or state securities laws or regulations.

11. **Investment Company.** Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Company will conduct its business in a manner so that it will not become subject to the Investment Company Act.

12. **Acknowledgments Regarding Investor.** Company's decision to enter into this Agreement has been based solely on the independent evaluation by Company and its representatives, and Company acknowledges and agrees that:

a. Investor is not, has never been, and as a result of the transactions contemplated by the Transaction Documents will not become an officer, director, insider, control person, to Company's knowledge, 10% or greater shareholder or otherwise an affiliate of Company as defined under Rule 12b-2 of the Exchange Act;

b. Investor does not make or has not made any representations, warranties or agreements with respect to the Securities, this Agreement, or the transactions contemplated hereby other than those specifically set forth in **Section III.C** below;

c. The conversion of Preferred Shares, exercise of the Warrant, and resale of Conversion Shares will result in dilution, which may be substantial; the number of Conversion Shares will increase in certain circumstances; and Company's obligation to issue and deliver Conversion Shares in accordance with this Agreement, the Certificate of Designations and the Warrant is absolute and unconditional regardless of the dilutive effect that such issuances may have; and

d. Investor is acting solely in the capacity of arm's length purchaser with respect to this Agreement and the transactions contemplated hereby; neither Investor nor any of its Affiliates, agents or representatives has or is acting as a legal, financial, investment, accounting, tax or other advisor to Company, or fiduciary of Company, or in any similar capacity; neither Investor nor any of its Affiliates, agents or representatives has provided any legal, financial, investment, accounting, tax or other advice to Company; any statement made in connection with this Agreement or the transactions contemplated hereby is not advice or a recommendation, and is merely incidental to Investor's purchase of the Securities.

13. **No Bad Actor Disqualification.** Neither Company, any predecessor of Company, any affiliate of Company, any director, executive officer, other officer of Company participating in the offering, or any beneficial owner of 20% or more of Company's outstanding

voting equity securities is subject to any bad actor disqualification as provided in Rule 506(d) of Regulation D, and Company is not aware of any facts or circumstances that, with the passage of time, would reasonably be expected to cause such disqualification.

14. Offshore Transaction. Company has not, and will not, engage in any directed selling efforts in the United States in respect of the Securities. Company is offering and selling the Securities only to Investor, in compliance with the offering restriction requirements of Regulation S.

B. Representations Regarding Company. Except as set forth in any Public Reports or attached exhibits as of the Effective Date, or under the corresponding section of the Disclosure Schedules, if any, Company hereby represents and warrants to, and as applicable covenants with, Investor as of the Closing:

1. Capitalization. The capitalization of the Company as of the Effective Date is as described in the Public Reports. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents which has not been waived or satisfied. Except as a result of the purchase and sale of the Preferred Shares, the Warrant and the issuance of Conversion Shares, there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or securities convertible into or exercisable for shares of Common Stock. The issuance and sale of the Securities will not obligate Company to issue shares of Common Stock or other securities to any Person, other than Investor, and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange, or reset price under such securities. All of the outstanding shares of capital stock of Company are validly issued, fully paid and nonassessable, have been issued in material compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors of Company or others is required for the issuance and sale of the Securities, other than Approval. There are no stockholders agreements, voting agreements or other similar agreements with respect to Company's capital stock to which Company is a party or, to the knowledge of Company, between or among any of Company's stockholders.

2. Subsidiaries. All of the direct and indirect subsidiaries of Company are set forth in the Public Reports or the corresponding section of the Disclosure Schedules. Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary, and all of such directly or indirectly owned capital stock or other equity interests are owned free and clear of any Liens. All the issued and outstanding shares of capital stock of each Subsidiary are duly authorized, validly issued, fully paid, nonassessable and free of preemptive and similar rights to subscribe for or purchase securities.

3. Public Reports; Financial Statements. Company has filed all required Public Reports for the one year preceding the Effective Date. As of their respective dates or as

subsequently amended, the Public Reports complied in all material respects with the requirements of the Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, as applicable, and none of the Public Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Company included in the Public Reports, as amended, comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

4. **Material Changes.** Since the end of the most recent year for which an Annual Report on Form 10-K has been filed with the Commission, (a) there has been no event, occurrence or development that has had, or that would reasonably be expected to result in, a Material Adverse Effect, (b) Company has not incurred any liabilities (contingent or otherwise) other than (i) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice, and (ii) liabilities not required to be reflected in Company's financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission, (c) Company has not altered its method of accounting, (d) Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (e) Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company equity incentive plans. Company does not have pending before the Commission any request for confidential treatment of information.

5. **Litigation.** There is no Action completed, pending or, to Company's knowledge, threatened or contemplated, which would reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary, nor any director or officer thereof, nor to the knowledge of Company any greater than 5% shareholder or any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, is not pending, and to Company's knowledge, there is not threatened or contemplated, any investigation by the Commission involving Company or any current or former director or officer of Company, or to the knowledge of Company greater than 5% shareholder of Company.

6. **No Bankruptcy.** There has not been any petition or application filed, or any judicial or administrative proceeding commenced which has not been discharged, by or against the Company or any Subsidiary or with respect to any of the properties or assets of Company or any Subsidiary under any applicable law relating to bankruptcy, insolvency, reorganization, fraudulent transfer, compromise, arrangement of debt, creditors' rights and no assignment has been made by the Company or any Subsidiary for the benefit of creditors.

7. Labor Relations. No material labor dispute exists or, to the knowledge of Company, is imminent with respect to any of the employees of Company, which would reasonably be expected to result in a Material Adverse Effect.

8. Compliance. Neither Company nor any Subsidiary (a) is in material default under or in material violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by Company or any Subsidiary under), nor has Company or any Subsidiary received notice of a claim that it is in material default under or that it is in material violation of, any indenture, loan or credit agreement or any other similar agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (b) is in violation of any order of any court, arbitrator or governmental body, or (c) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business, except in each case as would not reasonably be expected to have a Material Adverse Effect.

9. Regulatory Permits. Company and each Subsidiary possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the Public Reports, except where the failure to possess such permits would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect ("**Material Permits**"), and neither Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

10. Title to Assets. Company and each Subsidiary have good and marketable title in fee simple to all real property owned by them that is material to the business of Company and each Subsidiary and good and marketable title in all personal property owned by them that is material to the business of Company and each Subsidiary, in each case free and clear of all Liens, except for Liens that do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by Company and each Subsidiary and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by Company and each Subsidiary are held by them under valid, subsisting and enforceable leases of which Company and each Subsidiary are in compliance.

11. Patents and Trademarks. Company and each Subsidiary have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, licenses and other similar rights that are necessary or material for use in connection with their respective businesses as described in the Public Reports and which the failure to so have would have a Material Adverse Effect (collectively, "**Intellectual Property Rights**"). Neither Company nor any Subsidiary has received a written notice that the Intellectual Property Rights used by Company or any Subsidiary violates or infringes upon the rights of any Person. To the knowledge of Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights of Company or each Subsidiary.

12. Insurance. Company and each Subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which Company and each Subsidiary are engaged, including but not limited to directors and officers insurance coverage at least equal to the Purchase Amount. To Company's knowledge, such insurance contracts and policies are accurate and complete in all material respects. Neither Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without an increase in cost that would constitute a Material Adverse Effect.

13. Transactions with Affiliates and Employees. None of the officers or directors of Company and, to the knowledge of Company, none of the employees of Company is presently a party to any transaction with Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of $120,000 other than (i) for payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of Company and (iii) for other employee benefits, including stock option agreements under any equity incentive plan of Company.

14. Sarbanes-Oxley; Internal Accounting Controls. Company is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002, which are applicable to it as of the date of the Closing. Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of Company's disclosure controls and procedures based on their evaluations as of the evaluation date. Since the date of the most recently filed Public Report, there have been no significant changes in Company's internal accounting controls or its disclosure controls and procedures or, to Company's knowledge, in other factors that could materially affect Company's internal accounting controls or its disclosure controls and procedures.

15. Certain Fees. No brokerage or finder's fees or commissions are or will be payable to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement. Notwithstanding any other provision, Investor will have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this section that may be due in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

16. Registration Rights. No Person has any right to cause Company to effect the registration under the Act of any securities of Company.

17. Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12 of the Exchange Act, and Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has Company received any notification that the

Commission is contemplating terminating such registration. Company has not, in the 12 months preceding the Effective Date, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that Company is not in compliance with the listing or maintenance requirements of such Trading Market. Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

18. Application of Takeover Protections. Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under Company's Certificate of Incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to Investor as a result of Investor and Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation Company's issuance of the Conversion Shares and Investor's ownership of the Conversion Shares.

19. Tax Status. Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes). Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, statute or local tax. None of Company's tax returns is presently being audited by any taxing authority. Company would not be classified as a PFIC for its most recently completed taxable year, and does not expect to be classified as a PFIC for its current taxable year.

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

21. Accountants. Company's accountants are set forth in the Public Reports and such accountants are an independent registered public accounting firm.

22. No Disagreements with Accountants or Lawyers. There are no material disagreements presently existing, or reasonably anticipated by Company to arise, between Company and the accountants or lawyers formerly or presently employed by Company.

23. Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the Company or any Subsidiary, except such as would not reasonably be expected to result in a Material Adverse Effect.

24. Computer and Technology Security. Company has taken all reasonable steps to safeguard the information technology systems utilized in the operation of the business of Company, including the implementation of procedures to minimize the risk that such information technology systems have any disabling codes or instructions, timer, copy protection device, clock, counter or other limiting design or routing and any back door, virus, malicious code or other software routines or hardware components that in each case permit unauthorized access or the unauthorized disablement or unauthorized erasure of data or other software by a third party, and, to Company's knowledge, to date there have been no successful unauthorized intrusions or breaches of the security of the information technology systems.

25. Data Privacy. Company has: (a) complied with, and is presently in compliance with, all applicable laws in connection with data privacy, information security, data security and/or personal information; (b) complied with, and is presently in material compliance with, its policies and procedures applicable to data privacy, information security, data security, and personal information; (c) not experienced any incident in which personal information or other sensitive data was or may have been stolen or improperly accessed; and Company is not aware of any facts suggesting the likelihood of the foregoing, including without limitation, any breach of security or receipt of any notices or complaints from any Person regarding personal information or other data.

C. Representations and Warranties of Investor. Investor hereby represents and warrants to Company as of the Closing as follows:

1. Organization; Authority. Investor is an entity validly existing and in good standing under the laws of the jurisdiction of its organization with full right, company power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations thereunder. The execution, delivery and performance by Investor of the transactions contemplated by this Agreement have been duly authorized by all necessary company or similar action on the part of Investor. Each Transaction Document to which it is a party has been, or will be, duly executed by Investor, and when delivered by Investor in accordance with the terms hereof, will constitute the valid and legally binding obligation of Investor, enforceable against it in accordance with its terms, except (a) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (c) insofar as indemnification and contribution provisions may be limited by applicable law.

2. Investor Status. At the time Investor was offered the Securities, it was, and at the Effective Date it is: (a) an accredited investor as defined in Rule 501(a) under the Act; (b) not a registered broker-dealer, member of FINRA, or an affiliate thereof; and (c) not a U.S. Person and not acquiring the Securities for the account or beneficial ownership of any U.S. Person.

3. Experience of Investor. Investor, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. Investor is able to bear the

economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

4. Ownership. Investor is acquiring the Preferred Shares and Warrant as principal for its own account. Investor will not engage in hedging transactions with regard to the Securities unless in compliance with the Act. Investor will not resell, transfer or assign the Preferred Shares or Warrant, and will resell the Conversion Shares only pursuant to registration under the Act or an available exemption therefrom.

5. No Short Sales. Neither Investor nor any Affiliate (a) currently holds any short position in the Common Stock, (b) has ever engaged in any Short Sales of the Common Stock, (c) has engaged in any hedging transactions with regard to the Common Stock prior to the Effective Date, or (d) has traded any securities of Company within 30 days prior to the Effective Date.

IV. Securities and Other Provisions.

A. Investor Due Diligence. Investor will have the right and opportunity to conduct customary due diligence with respect to any Registration Statement or Prospectus in which the name of Investor or any Affiliate of Investor appears.

B. Furnishing of Information. As long as Investor owns any Securities, Company will timely file all reports required to be filed by Company after the Effective Date pursuant to the Exchange Act. As long as Investor owns any Securities, Company will prepare and make publicly available such information as is required for Investor to sell its Conversion Shares under Rule 144. Company further covenants that, as long as Investor owns any Securities, Company will take such further action as Investor may reasonably request, all to the extent required from time to time to enable Investor to sell its Conversion Shares without registration under the Act within the limitation of the exemptions provided by Rule 144.

C. Integration. Company will not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security, as defined in Section 2 of the Act, that would be integrated with the offer or sale of the Securities to Investor for purposes of the rules and regulations of any Trading Market such that it would require stockholder approval prior to the closing of such other transaction, unless stockholder approval is obtained before the closing of such subsequent transaction.

D. Disclosure and Publicity. Company will provide to Investor for review and approval prior to issuing any current report, press release, public statement or communication with respect to the transactions contemplated hereby.

E. Shareholders Rights Plan. No claim will be made or enforced by Company or, to the knowledge of Company, any other Person that Investor is an "Acquiring Person" under any shareholders rights plan or similar plan or arrangement in effect or hereafter adopted by Company, or that Investor could be deemed to trigger the provisions of any such plan or arrangement, in either such case, by virtue of receiving the Securities under the Transaction Documents or under any other agreement between Company and Investor. Company will conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

F. No Non-Public Information. Company covenants and agrees that neither it nor any other Person acting on its behalf will, provide Investor or its agents or counsel with any information that Company believes or reasonably should believe will constitute material non-public information after Closing. On and after Closing, neither Investor nor any Affiliate of Investor will have any duty of trust or confidence that is owed directly, indirectly, or derivatively, to Company or the stockholders of Company, or to any other Person who is the source of material non-public information regarding Company. Company understands and confirms that Investor will be relying on the foregoing in effecting transactions in securities of Company, including without limitation sales of the Conversion Shares.

G. Indemnification of Investor.

1. Obligation to Indemnify. Subject to the provisions of this **Section IV.G**, Company will indemnify and hold Investor, its Affiliates, managers and advisors, and each of their officers, directors, shareholders, partners, employees, representatives, agents and attorneys, and any person who controls Investor within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (collectively, "**Investor Parties**" and each a "**Investor Party**"), harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, reasonable costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation (collectively, "**Losses**") that any Investor Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by Company in this Agreement or in the other Transaction Documents, (b) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, Prospectus, Prospectus Supplement, or any information incorporated by reference therein, or arising out of or based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (c) any action by a creditor or stockholder of Company who is not an Affiliate of an Investor Party, challenging the transactions contemplated by the Transaction Documents; provided, however, that Company will not be obligated to indemnify any Investor Party for any Losses finally adjudicated to be caused solely by (i) a false statement of material fact contained within written information provided by such Investor Party expressly for the purpose of including it in the applicable Registration Statement, Prospectus, Prospectus Supplement, or (ii) such Investor Party's unexcused material breach of an express provision of this Agreement or another Transaction Document.

2. Procedure for Indemnification. If any action will be brought against an Investor Party in respect of which indemnity may be sought pursuant to this Agreement, such Investor Party will promptly notify Company in writing, and Company will have the right to assume the defense thereof with counsel of its own choosing. Investor Parties will have the right to employ separate counsel in any such action and participate in the defense thereof, but the reasonable fees and expenses of such counsel will be at the expense of Investor Parties except to the extent that (a) the employment thereof has been specifically authorized by Company in writing, (b) Company has failed after a reasonable period of time to assume such defense and to employ counsel or (c) in such action there is, in the reasonable opinion of such separate counsel, a material conflict with respect to the dispute in question on any material issue between the position of Company and the position of Investor Parties such that it would be inappropriate for one counsel to represent Company and Investor Parties. Company will not be liable to Investor Parties under

this Agreement (i) for any settlement by an Investor Party effected without Company's prior written consent, which will not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is either attributable to Investor's breach of any of the representations, warranties, covenants or agreements made by Investor in this Agreement or in the other Transaction Documents. In no event will the Company be liable for the reasonable fees and expenses for more than one separate firm of attorneys (plus local counsel as applicable) to represent all Investor Parties.

3. Other than the liability of Investor to Company for uncured material breach of the express provisions of this Agreement, no Investor Party will have any liability to Company or any Person asserting claims on behalf of or in right of Company as a result of acquiring the Securities under this Agreement.

H. **Reservation of Shares**. Company will at all times maintain a reserve from its duly authorized Common Stock for issuance pursuant to the Transaction Documents authorized shares of Common Stock in an amount equal to thrice the number of shares sufficient to immediately issue all Conversion Shares potentially issuable at such time.

I. **Activity Restrictions.** For so long as Investor or any of its Affiliates holds any Securities, neither Investor nor any Affiliate will: (1) vote any shares of Common Stock owned or controlled by it, sign or solicit any proxies, attend or be present at a shareholder meeting for purposes of determining a quorum, or seek to advise or influence any Person with respect to any voting securities of Company; (2) engage or participate in any actions, plans or proposals which relate to or would result in (a) acquiring additional securities of Company, alone or together with any other Person, which would result in beneficially owning or controlling more than 9.99% of the total outstanding Common Stock or other voting securities of Company, (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Company or any of its Subsidiaries, (c) a sale or transfer of a material amount of assets of Company or any of its Subsidiaries, (d) any change in the present board of directors or management of Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board, (e) any material change in the present capitalization or dividend policy of Company, (f) any other material change in Company's business or corporate structure, including but not limited to, if Company is a registered closed-end investment company, any plans or proposals to make any changes in its investment policy for which a vote is required by Section 13 of the Investment Company Act of 1940, (g) changes in Company's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of Company by any Person, (h) a class of securities of Company being delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (i) a class of equity securities of Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act, or (j) any action, intention, plan or arrangement similar to any of those enumerated above; or (3) request Company or its directors, officers, employees, agents or representatives to amend or waive any provision of this section.

J. **No Shorting.** Provided no Trigger Event under **Sections I.H.(1), (6), (7), (8), (9), (10)** or **(14)** of the Certificate of Designations has occurred, for so long as Investor holds any securities of Company, neither Investor nor any of its Affiliates will engage in or effect, directly

or indirectly, any Short Sale of Common Stock. For the avoidance of doubt, selling against delivery of Conversion Shares after delivery of a Conversion Notice is not a Short Sale. There will be no restriction or limitation of any kind on Investor's right or ability to sell or transfer any or all of the Conversion Shares at any time, in its sole and absolute discretion.

K. **Stock Splits.** If Company at any time on or after the Effective Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) or combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a greater or lesser number of shares, the share numbers, prices and other amounts set forth in this Agreement, as in effect immediately prior to such subdivision or combination, will be proportionately reduced or increased, as applicable, effective at the close of business on the date the subdivision or combination becomes effective.

L. **Subsequent Financings**. Until at least 60 days after the Registration Statement is declared effective, Company will not issue or enter into an agreement to issue any shares of Common Stock, except as provided in subsections (a), (b), (c)(i), (c)(iii), (c)(iv), (c)(v) or (c)(vi) below. Until at least 6 months after the Preferred Shares and Warrant have been converted, redeemed or exercised, Company will not (1) enter into any agreement that in any way restricts its ability to enter into any agreement, amendment or waiver with Investor, including without limitation any agreement to offer, sell or issue to Investor any preferred stock, common stock or other securities of Company, (2) enter into any equity or convertible financing pursuant to which shares of Common Stock or Common Stock equivalents may effectively be issued (i) at a discount, (ii) at a variable price, or (iii) where the price or number of shares are subject to any type of variability or reset feature. Notwithstanding the preceding sentence, Company may enter into any financing: (a) with Investor; (b) for non-convertible debt with no equity component; or (c) issuing Common Stock or Common Stock equivalents at a fixed price (i) upon the exercise or exchange or conversion of any securities issued and outstanding on, and not amended or modified after, the Effective Date, (ii) in an underwritten public offering that does not include warrants and generates gross proceeds of at least $10 million, (iii) up to $250,000 per month in private placements of securities that are restricted for at least 6 months after issuance; (iv) in exchange for services pursuant to existing qualified incentive stock option plans, or pursuant to new plans duly adopted by the Board of Directors of the Company if the securities are restricted for at least 6 months after issuance, including options or other awards, to Company employees, officers, directors, or individual independent contractors specifically engaged in the operations or management of oil and gas field related activity and specifically excluding corporate contractors and general and administrative service providers, (v) as consideration for acquisitions, mergers, consolidations or strategic transactions, including licensing and partnering agreements, or purchase of all or substantially all of the securities or assets of another entity, or (vi) as consideration for an equipment loan or leasing arrangement, real property leasing arrangement, or debt financing, from a licensed commercial bank; provided however, with regard to any of the foregoing set forth in clauses (iv) through (vi), that (1) the primary purpose of such issuance is not to raise capital, (2) the purchasers or acquirers of the securities in such issuance do not include Company or any of its Subsidiaries and solely consists of either (w) the individuals actually providing the services, (x) the actual participants in such strategic alliance or strategic partnership, (y) the actual owners of such assets or securities acquired in such acquisition or merger or (z) the stockholders, partners or members of the foregoing Persons, (3) the number or amount of securities issued to such Person by the Company shall not be disproportionate to such Person's actual participation in such strategic

alliance or strategic partnership or ownership of such assets or securities to be acquired by the Company, or the value of services provided to the Company, as applicable, and (4) none of such Persons are an entity whose primary business is investing in securities, unless such entity has more than $1 billion in assets under management.

M. Approval. Company will file a preliminary proxy statement within 30 days of the Effective Date, and use its commercially reasonable best efforts to obtain stockholder approval of this Agreement, the Preferred Shares, the Warrant, and the issuance of the Conversion Shares, in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**") as soon as practicable after the Effective Date. Company, its board of directors, and each of its directors will vote all proxies given to them in favor of Approval.

N. Principal Market. Company has submitted any necessary notification and supporting documentation required for the listing of all possible Conversion Shares with NYSE MKT and will use its commercially reasonable best efforts to obtain approval to list the Conversion Shares as soon as practicable.

O. Restrictive Legend. The Securities have not been registered under the Act and may not be resold in the United States unless registered or an exemption from registration is available. Company is required to refuse to register any transfer of the Conversion Shares not made pursuant to registration under the Act or an available exemption from registration. Upon the issuance thereof, and only until such time as the same is no longer required under the applicable securities laws and regulations, the certificates representing any of the Securities will bear a legend in substantially the following form:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR ANY U.S. STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE ACT. IN ADDITION, HEDGING TRANSACTIONS INVOLVING THE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT.

Certificates representing Conversion Shares will be issued without such legend or at Investor's option issue electronic delivery at the applicable balance account at DTC, if either (i) the Conversion Shares are registered for resale under the Act, or (ii) Investor provides an opinion of its counsel to the effect that the Conversion Shares may be issued without restrictive legend.

P. Warrant Exercise. Upon exercise pursuant to Section I.B. of the Warrant, Investor will pay Company the Purchase Price for the Warrant by wire transfer of immediately available funds.

V. Registration Statement.

A. Filing.

1. Company will at its sole cost and expense prepare and file with the Commission as promptly as practicable after the Effective Date, and in any event within 30 days, a Registration Statement ("**Registration Statement**") on Form S-3 or, if Form S-3 is unavailable, Form S-1, registering the delayed and continuous resale of all Conversion Shares pursuant to Rule 415 under the Act, and will use reasonable best efforts to cause such Registration Statement to be declared effective under the Act as promptly as practicable, and to remain continuously effective until all Conversion Shares may be resold by Investor pursuant to Rule 144 without volume restrictions, manner-of-sale restrictions, or Company being in compliance with any current public information requirement (the "**Registration Period**").

2. If Company breaches its obligations under the preceding paragraph, it will file a Registration Statement as soon as practicable, but such obligation and filing will not operate to cure or excuse such breach. If at any time after the initial registration Statement is filed on Form S-3 or Form S-1, the Registration Statement does not remain effective, Company will use reasonable best efforts to amend the Registration Statement to continue effectiveness uninterrupted.

3. Notwithstanding the foregoing registration obligations, if the Commission informs the Company that all of the Conversion Shares cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to use its commercially reasonable efforts to file amendments to the Registration Statement as required by the Commission, covering the maximum number of Conversion Shares permitted to be registered by the Commission, to register for resale the Conversion Shares as a secondary offering; provided, however, that prior to filing such amendment, the Company will use reasonably diligent efforts to advocate with the Commission for the registration of all of the Conversion Shares in accordance with Commission guidance.

B. Procedures. In connection with the Registration Statement, Company will, as soon as reasonably practicable:

1. Prepare and file with the Commission such pre-effective and post-effective amendments and supplements to the Registration Statement and the Prospectus used in connection with the Registration Statement, and file such reports under the Exchange Act, as may be necessary to cause the Registration Statement to become effective, to keep the Registration Statement continuously effective during the Registration Period and not misleading in any material respect, and as may otherwise be required or applicable under, and to comply with the provisions of, the Act with respect to the disposition of all Conversion Shares covered by the Registration Statement during the Registration Period.

2. Furnish to Investor such number of copies of the Prospectus, and each amendment or supplement thereto, in conformity with the requirements of the Act, and such other documents as Investor may reasonably request in order to facilitate the disposition of Conversion Shares owned by it.

3. Notify Investor: (a) when a Prospectus or any Prospectus supplement or post-effective amendment is proposed to be filed and, with respect to any post-effective amendment, when the same has become effective, except for any filing to be made solely to incorporate by reference a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed with the Commission; (b) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or a Prospectus or for additional information; (c) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose; (d) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Conversion Shares for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, and (e) of the occurrence of any event or circumstance that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, Prospectus or documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, in no event will any such notice contain any information which would constitute material, non-public information regarding the Company.

4. Use reasonable best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of, any order suspending the effectiveness of the Registration Statement, or the lifting of any suspension of the qualification, or exemption from qualification, of any of the Conversion Shares for sale in any jurisdiction, at the earliest practicable moment.

5. Incorporate in a Prospectus supplement or post-effective amendment such information as Investor reasonably requests be included therein regarding Investor or the plan of distribution of the Conversion Shares; and make all required filings of the Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of such matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company will not be required to take any action pursuant to this paragraph that would violate applicable law.

6. Whenever necessary, prepare and deliver to Investor any required supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document, including such reports as may be required to be filed under the Exchange Act, so that, as thereafter delivered, the Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. Use reasonable best efforts to cause all Conversion Shares to be listed on the Trading Market or such other securities exchange or automated quotation system, if any, as is then the principal securities exchange or automated quotation system on which the Common Stock is then listed.

8. Fully cooperate with the Transfer Agent, Investor and its brokers to facilitate the timely clearing and delivery of Conversion Shares to be sold pursuant to the Registration Statement free of any restrictive legends and in such denominations and registered in such names as Investor may reasonably request, including timely completion and delivery of all forms, documents and instruments requested by the Transfer Agent or any broker.

VI. General Provisions.

A. Notice. Unless a different time of day or method of delivery is specifically provided in the Transaction Documents, any and all notices or other communications or deliveries required or permitted to be provided hereunder will be in writing and will be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:00 p.m. Eastern time on a Trading Day and an electronic confirmation of delivery is received by the sender, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered later than 5:00 p.m. Eastern time or on a day that is not a Trading Day, (c) the next Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The addresses for such notices and communications are such other address as may be designated in writing, in the same manner, by such Person.

B. Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by Company and Investor or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement will be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor will any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

C. No Third-Party Beneficiaries. Except as otherwise set forth in **Section IV.G**, this Agreement and the Transaction Documents will inure solely to the benefit of the parties hereto, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person. Other than the Investor Parties described in **Section IV.G**,, a person who is not a party to this Agreement will not have any rights under the Contracts (Rights of Third Parties) Law, 2014 of the Cayman Islands to enforce any term of this Agreement or any Transaction Document.

D. Fees and Expenses. Company has paid a flat rate documentation fee of $10,000 to Investor's counsel incurred in connection with drafting this Agreement and the other Transaction Documents. Except as otherwise provided in this Agreement, each party will pay the fees and expenses of its own advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of the Transaction Documents. Company acknowledges and agrees that Investor's counsel solely represents Investor, and does not represent Company or its interests in connection with the Transaction Documents or the transactions contemplated thereby. Company will pay all stamp and other taxes and duties, if any, levied in connection with the sale, issuance and delivery of the Securities to Investor.

E. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement will not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, will incorporate such substitute provision in this Agreement.

F. Replacement of Certificates. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, Company will issue or cause to be issued in exchange and substitution for and upon cancellation thereof, or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to Company of such loss, theft or destruction and customary and reasonable indemnity, if requested. The applicants for a new certificate or instrument under such circumstances will also pay any reasonable third-party costs associated with the issuance of such replacement certificates.

G. Governing Law. All matters between the parties, including without limitation questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents will be governed by and construed and enforced in accordance with the laws of the Cayman Islands, without regard to the principles of conflicts of law that would require or permit the application of the laws of any other jurisdiction, except for corporation law matters applicable to Company which will be governed by the corporate law of its jurisdiction of formation. The parties hereby waive all rights to a trial by jury. In any action, arbitration or proceeding, including appeal, arising out of or relating to any of the Transaction Documents or otherwise involving the parties, the prevailing party will be awarded its reasonable attorneys' fees and other costs and expenses reasonably incurred in connection with the investigation, preparation, prosecution or defense of such action or proceeding.

H. Arbitration. Any dispute, controversy, claim or action of any kind arising out of, relating to, or in connection with this Agreement, or in any way involving Company and Investor or their respective Affiliates, including any issues of arbitrability, will be resolved solely by final and binding arbitration in English before a retired judge at JAMS International, or its successor, in the Territory of the Virgin Islands, pursuant to the most expedited and Streamlined Arbitration Rules and procedures available. Any interim or final award may be entered and enforced by any court of competent jurisdiction. The final award will include the prevailing party's reasonable arbitration, expert witness and attorney fees, costs and expenses. Notwithstanding the foregoing, Investor may in its sole discretion bring an action in the U.S. District Court for the District of Nevada or the Middle District of Florida in addition to, in lieu of, or in aid of arbitration.

I. Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of Investor and Company will be entitled to specific performance under the Transaction Documents, and equitable and injunctive relief to prevent any actual or threatened breach under the Transaction Documents, to the full extent permitted under applicable laws. Without limitation of the foregoing, Company acknowledges that the rights and benefits of Investor pursuant to Section I.G.1. of the Certificate of Designations are unique and that no adequate remedy exists at law if Company breaches or fails timely perform any of its obligations thereunder, that it would be difficult to determine the amount of damages resulting therefrom, that it would cause irreparable injury to Investor, and that any potential harm to Company would be adequately and fully compensable with monetary damages. Accordingly,

Investor will be entitled to a compulsory remedy of immediate specific performance, temporary, interim, preliminary and final injunctive relief to enforce the provisions thereof, including without limitation requiring Company and its transfer agent, attorneys, officers and directors to immediately take all actions necessary to issue and deliver the number of Conversion Shares stated by Investor, which requirements will not be stayed for any reason, without the necessity of posting any bond. Company hereby absolutely, unconditionally and irrevocably waives all objections and rights to oppose any motion, application or request by Investor to issue any number of Conversion Shares, and all rights to stay or appeal any resulting order, and any appeal by Company or on its behalf will be immediately and automatically dismissed. Nothing provided for in this provision will limit either party's ability to recover monetary damages.

J. Payment Set Aside. To the extent that Company makes a payment or payments to Investor pursuant to any Transaction Document or Investor enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to Company, a trustee, receiver or any other person under any law, including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action, then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied will be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

K. Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and will not be deemed to limit or affect any of the provisions hereof

L. Time of the Essence. Time is of the essence with respect to all provisions of this Agreement.

M. Survival. The representations and warranties contained herein will survive the Closing and the delivery of the Securities until all Preferred Shares and the entire Warrant issued to Investor have been converted, redeemed or exercised. Neither party will be under any obligation to update or supplement any of its representations or warranties following the Closing due to a change that occurred after the Closing.

N. Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of the Transaction Documents or any amendments hereto. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. All currency references in any Transaction Document are to U.S. dollars.

O. Further Assurances. Each party will take all further actions and execute all further documents as may be reasonably necessary to implement the provisions and carry out the intent of this Agreement fully and effectively.

P. **Execution.** This Agreement may be executed in two or more counterparts, all of which when taken together will be considered one and the same agreement and will become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by portable document format, facsimile or electronic transmission, such signature will create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

Q. **Entire Agreement.** This Agreement, including the Exhibits hereto, which are hereby incorporated herein by reference, contains the entire agreement and understanding of the parties, and supersedes all prior and contemporaneous agreements, term sheets, letters, discussions, communications and understandings, both oral and written, which the parties acknowledge have been merged into this Agreement. No party, representative, advisor, attorney or agent has relied upon any collateral contract, agreement, assurance, promise, understanding, statement or representation not expressly set forth herein. The parties hereby absolutely, unconditionally and irrevocably waive all rights and remedies, at law and in equity, directly or indirectly arising out of or relating to, or which may arise as a result of, any Person's reliance on any such statement or assurance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories on the Effective Date.

Company:

LUCAS ENERGY, INC.

By: _____
Name: ANTHONY C SCHNUR
Title: CHIEF EXECUTIVE OFFICER

Investor:

_____
Investor Name

By: _____
Name: _____
Title: _____

P. **Execution.** This Agreement may be executed in two or more counterparts, all of which when taken together will be considered one and the same agreement and will become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by portable document format, facsimile or electronic transmission, such signature will create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories on the Effective Date.

Company:

LUCAS ENERGY, INC.

By: _____
Name: _____
Title: _____

Investor:

Discover Growth Fund
Investor Name

By: _____
Name: David Sims
Title: Director

Exhibit 1

Glossary of Defined Terms

"**$**" means the currency of the United States of America, in which all dollar amounts in the Transaction Documents will be expressed.

"**Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

"**Action**" has the meaning set forth in **Section III.A.4**.

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a Person, as such terms are used in and construed under Rule 144 under the Act.

"**Agreement**" means this Stock Purchase Agreement.

"Approval" has the meaning set forth in **Section IV.M**.

"Acquisition" has the meaning set forth in the Certificate of Designations.

"**CATI**" means CATI Operating LLC, a Texas limited liability company.

"Certificate of Designations" has the meaning set forth in **Section II.B.1**

"**Closing**" has the meaning set forth in **Section II.D**.

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

"Common Stock" means the Common Stock of Company and any replacement or substitute thereof, or any share capital into which such Common Stock will have been changed or any share capital resulting from a reclassification of such Common Stock.

"**Company**" has the meaning set forth in the first paragraph of the Agreement.

"Conversion Shares" includes all shares of Common Stock potentially issuable in relation to the Preferred Shares or Warrant, including Common Stock that must be issued upon conversion of any Preferred Shares or exercise of the Warrant, and Common Stock that must or may be issued in payment of any Dividends or Conversion Premium (as those terms are defined in the Certificate of Designations).

"Disclosure Schedules" means the disclosure schedules of Company delivered concurrently herewith. The Disclosure Schedules will contain no material non-public information.

"DTC" means The Depository Trust Company, or any successor performing substantially the same function for Company.

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

"**Effective Date**" has the meaning set forth in the first paragraph of the Agreement.

"GAAP" means U.S. generally accepted accounting principles applied on a consistent basis during the periods involved.

"Indebtedness" means (a) any liabilities for borrowed money or amounts owed in excess of $500,000, other than trade accounts payable incurred in the ordinary course of business, (b) all guaranties, endorsements and other contingent obligations in respect of Indebtedness of others, whether or not the same are or should be reflected in Company's balance sheet, or the notes thereto, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and (c) the present value of any lease payments in excess of $500,000 due under leases required to be capitalized in accordance with GAAP. Indebtedness does not include any of the foregoing set forth in clauses (a) through (c) with respect to CATI.

"**Intellectual Property Rights**" has the meaning set forth in **Section III.B.11**.

"Legal Opinion" has the meaning set forth in **Section I.B.3**.

"Liens" means (a) a lien, charge, security interest or encumbrance in excess of $500,000, or (b) a right of first refusal, preemptive right or other restriction (other than restrictions under securities laws). Liens does not include any of the foregoing set forth in clauses (a) and (b) with respect to CATI

"Material Adverse Effect" includes any material adverse effect on (a) the legality, validity or enforceability of any Transaction Document, (b) the results of operations, assets, business, or financial condition of Company and the Subsidiaries, taken as a whole, which is not disclosed in the Public Reports prior to the Effective Date, (c) Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document, or (d) the sale, issuance, registration, listing and trading on the Trading Market of the Conversion Shares.

"**Material Permits**" has the meaning set forth in **Section III.B.9**.

"**Officer's Certificate"** has the meaning set forth in **Section II.B.4**.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government, or an agency or subdivision thereof, or other entity of any kind.

"Preferred Shares" means shares of Series C Redeemable Convertible Preferred Stock of the Company to be issued to Investor pursuant to this Agreement or any other agreement with Investor.

"Public Reports" includes all reports filed by Company under the Act or the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two full fiscal years preceding the Effective Date and thereafter.

"Purchase Amount" has the meaning set forth in **Section II.A.1**.

"Investor" has the meaning set forth in the first paragraph of the Agreement.

"Registration Statement" includes a then valid, current and effective Registration Statement registering all Conversion Shares for resale, including the prospectus therein, amendments and supplements to such Registration Statement or prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement, and any information contained or incorporated by reference in a prospectus filed with the Commission in connection with the Registration Statement, to the extent such information is deemed under the Act to be part of any registration statement.

"Regulation D" means Regulation D under the Securities Act and the rules promulgated by the Commission thereunder.

"**Regulation S**" means Regulation S under the Securities Act and the rules promulgated by the Commission thereunder.

"Secretary's Certificate" has the meaning set forth in **Section II.B.5**.

"**Securities**" include the Preferred Shares, Warrant and Conversion Shares.

"Short Sale" means a "short sale" as defined in Rule 200 of Regulation SHO of the Exchange Act.

"Subsidiary" means any Person owned or controlled by the Company, or in which Company, directly or indirectly, owns a majority of the capital stock or similar interest that would be disclosable pursuant to Regulation S-K, Item 601(b)(21).

"Trading Day" means any day on which the Common Stock is traded on the Trading Market; provided that it will not include any day on which the Common Stock is (a) scheduled to trade for less than 5 hours, or (b) suspended from trading.

"**Trading Market**" has the meaning set forth in the Certificate of Designations.

"**Transaction Documents**" means this Agreement, the Certificate of Designations, the Warrant, and the other agreements, certificates and documents referenced herein or the form of which is attached hereto, and the exhibits, schedules and appendices hereto and thereto.

"**Transfer Agent Instructions**" has the meaning set forth in **Section II.B.2**.

"**U.S. Person**" has the meaning set forth in Regulation S.

"Warrant" has the meaning set forth in **Section II.B.6**.

Exhibit 2

Certificate of Designations

LUCAS ENERGY, INC.

CERTIFICATE OF DESIGNATIONS OF PREFERENCES, POWERS,
RIGHTS AND LIMITATIONS
OF
SERIES C REDEEMABLE CONVERTIBLE PREFERRED STOCK

The undersigned, _____ and _____, hereby certify that:

1. The undersigned are the Chief Executive Officer and Chief Financial Officer, respectively, of Lucas Energy, Inc., a Nevada corporation (the "**Corporation**");

2. The Corporation is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value, of which (i) 2,000 shares are designated as Series A convertible preferred stock, of which 500 shares are issued and outstanding, and (ii) _____ shares are designated as Series B redeemable convertible preferred stock (the "**Series B Preferred Stock**"), of which _____ shares are issued and outstanding; and

3. The following resolutions were duly adopted by the Board of Directors:

WHEREAS, the Certificate of Incorporation of the Corporation provides for a class of its authorized stock known as preferred stock, comprised of 10,000,000 shares, $0.001 par value per share (the "**Preferred Stock**"), issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Corporation is authorized to fix the dividend rights, dividend rate, powers, voting rights, conversion rights, rights and terms of redemption and liquidation preferences of any wholly unissued series of Preferred Stock and the number of shares constituting any Series and the designation thereof, of any of them;

WHEREAS, it is the desire of the Board of Directors of the Corporation, pursuant to its authority as aforesaid and as set forth in this Certificate of Designations of Preferences, Powers, Rights and Limitations of Series C Redeemable Convertible Preferred Stock, to designate the rights, preferences, restrictions and other matters relating to the Series C Redeemable Convertible Preferred Stock, which will consist of up to 5,000 shares of the Preferred Stock which the Corporation has the authority to issue, as follows:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide for the issuance of a series of Preferred Stock for cash, notes or exchange of other securities, rights or property and does hereby fix and determine the powers, rights, preferences, restrictions and other matters relating to such series of Preferred Stock as follows:

I. Terms of Preferred Stock.

A. Designation and Amount. A series of Preferred Stock is hereby designated as the Corporation's Series C Redeemable Convertible Preferred Stock, par value of $0.001 per share (the "**Series C Preferred Stock**"), the number of shares of which so designated are 5,000 shares of Series C Preferred Stock; which Series C Preferred Stock will not be subject to increase without any consent of the holders of the Series C Preferred Stock (each a "**Holder**" and collectively, the "**Holders**") that may be required by applicable law.

B. Ranking and Voting.

1. Ranking. The Series C Preferred Stock will, with respect to dividend rights and rights upon liquidation, winding-up or dissolution, rank: (a) senior to the Corporation's Common Stock, $0.001 par value per share ("**Common Stock**"); (b) pari passu with respect to the Series B Preferred Stock; (c) senior, pari passu or junior with respect to any other series of Preferred Stock, as set forth in the Certificate of Designations of Preferences, Powers, Rights and Limitations with respect to such Preferred Stock; and (d) junior to all existing and future indebtedness of the Corporation. Without the prior written consent of the Holders of a majority of the outstanding shares of Series C Preferred Stock (voting separately as a single class), the Corporation may not issue any additional shares of Series C Preferred Stock or, other than shares of Series B Preferred Stock issued in the Acquisition, any other Preferred Stock (other than the Series B Preferred Stock) that is pari passu or senior to the Series C Preferred Stock with respect to any rights for a period of 1 year after the earlier of such date (i) a registration statement is effective and available for the resale of all Conversion Shares, or (ii) Securities Act Rule 144 is available for the immediate unrestricted resale of all Conversion Shares.

2. Voting. Except as required by applicable law or as set forth herein, the holders of shares of Series C Preferred Stock will have no right to vote on any matters, questions or proceedings of this Corporation including, without limitation, the election of directors except: (a) during a period where a dividend (or part of a dividend) is in arrears; (b) on a proposal to reduce the Company's share capital; (c) on a resolution to approve the terms of a buy-back agreement; (d) on a proposal to wind up the Company; (e) on a proposal for the disposal of all or substantially all the Company's property, business and undertaking; and (f) during the winding-up of the entity.

C. Dividends.

1. Commencing on the date of the issuance of any such shares of Series C Preferred Stock (each respectively an "**Issuance Date**"), each outstanding share of Series C Preferred Stock will accrue cumulative dividends ("**Dividends**"), at a rate equal to 6.0% per annum, subject to adjustment as provided in this Certificate of Designations ("**Dividend Rate**"), of the Face Value. Dividends will be payable with respect to any shares of Series C Preferred Stock upon any of the following: (a) upon redemption of such shares in accordance with **Section I.F**; (b) upon conversion of such shares in accordance with **Section I.G**; and (c) when, as and if otherwise declared by the board of directors of the Corporation.

2. Dividends, as well as any applicable Conversion Premium payable hereunder, will be paid: (a) in the Corporation's sole and absolute discretion, immediately in cash;

or (b) if Corporation notifies Holder it will not pay all or any portion in cash, or to the extent cash is not paid and received as soon as practicable, and in any event within 1 Trading Day after the Notice Time, for any reason whatsoever, in shares of Common Stock valued at (i) if there has never been a Trigger Event, (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less $0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less $0.05 per share of Common Stock (ii) following any Trigger Event, (A) 85.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Holder, less $0.10 per share of Common Stock, not to exceed (B) 85.0% of the lowest sales price on the last day of any Measurement Period, less $0.10 per share of Common Stock. In no event will the value of Common Stock pursuant to the foregoing be below the par value per share. All amounts that are required or permitted to be paid in cash pursuant to this Certificate of Designations will be paid by wire transfer of immediately available funds to an account designated by Holder.

3. So long as any shares of Series C Preferred Stock are outstanding, the Company will not repurchase shares of Common Stock other than as payment of the exercise or conversion price of a convertible security or payment of withholding tax, and no dividends or other distributions will be paid, declared or set apart with respect to any Common Stock, except for Purchase Rights.

D. Protective Provision.

1. So long as any shares of Series C Preferred Stock are outstanding, the Corporation will not, without the affirmative approval of the Holders of a majority of the shares of the Series C Preferred Stock then outstanding (voting separately as one class), (i) alter or change adversely the powers, preferences or rights given to the Series C Preferred Stock or alter or amend this Certificate of Designations, (ii) authorize or create any class of stock ranking as to distribution of dividends senior to the Series C Preferred Stock, (iii) amend its certificate of incorporation or other charter documents in breach of any of the provisions hereof, (iv) increase the authorized number of shares of Series C Preferred Stock or (v) enter into any agreement with respect to the foregoing.

2. A "**Deemed Liquidation Event**" will mean: (a) a merger or consolidation in which the Corporation is a constituent party or a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation, except (i) any such merger or consolidation involving the Corporation or a subsidiary in which the Corporation is the surviving or resulting corporation, (ii) any merger effected exclusively to change the domicile of the Corporation, (iii) any transaction or series of transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction continue to retain more than 50% of the total voting power of such surviving entity, or (iv) the Acquisition; (b) Corporation issues convertible or equity securities that are senior to the Series C Preferred Stock in any respect, (c) Holder does not receive the number of Conversion Shares stated in a Delivery Notice with 5 Trading Days of the Notice Time; (d) trading of the Common Stock is halted or suspended by the Trading Market or any U.S. governmental agency for 10 or more consecutive trading days; (e) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by

the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

3. The Corporation will not have the power to close or effect a voluntary Deemed Liquidation Event unless the agreement or plan of merger or consolidation for such transaction provides that the consideration payable to the stockholders of the Corporation will be allocated among the holders of capital stock of the Corporation in accordance with **Section I.E**, and the required amount is paid to Holder prior to or upon closing, effectuation or occurrence of the Deemed Liquidation Event.

E. Liquidation.

1. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Corporation, prior to any distribution or payment made to the holders of Preferred Stock or Common Stock by reason of their ownership thereof, the Holders of Series C Preferred Stock will be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders an amount with respect to each share of Series C Preferred Stock equal to $10,000.00 ("**Face Value**"), plus an amount equal to any accrued but unpaid Dividends thereon (collectively with the Face Value, the "**Liquidation Value**").

2. If, upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the amounts payable with respect to the shares of Series C Preferred Stock are not paid in full, the holders of shares of Series C Preferred Stock will share equally and ratably with the holders of shares of Preferred Stock and Common Stock in any distribution of assets of the Corporation in proportion to the liquidation preference and an amount equal to all accumulated and unpaid Dividends, if any, to which each such holder is entitled.

3. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation will be insufficient to make payment in full to all Holders, then the assets distributable to the Holders will be distributed among the Holders at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

F. Redemption.

1. Corporation's Redemption Option. On the Dividend Maturity Date, the Corporation may redeem any or all shares of Series C Preferred Stock by paying Holder in cash an amount per share equal to 100% of the Liquidation Value for the shares redeemed.

2. Early Redemption. Prior to the Dividend Maturity Date, provided that no Trigger Event has occurred, the Corporation will have the right at any time upon 30 Trading Days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of the shares of Series C Preferred Stock then outstanding by paying Holder in cash an amount per share of Series C Preferred Stock (the "**Early Redemption Price**") equal to the sum of the following: (a)

100% of the Face Value, plus (b) the Conversion Premium, minus (c) any Dividends that have been paid, for each share of Series C Preferred Stock redeemed.

3. Credit Risk Adjustment.

a. The Dividend Rate will adjust downward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric rises above the Maximum Triggering Level, down to a minimum of 0.0%.

b. The Dividend Rate will adjust upward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric falls below the Minimum Triggering Level, up to a maximum of 24.95%. In addition, the Dividend Rate will adjust upward by 10.0% following the occurrence of any Trigger Event.

c. The adjusted Dividend Rate used for calculation of the Liquidation Value, Conversion Premium, Early Redemption Price and Dividend, as applicable, and the amount of Dividends owed will be calculated and determined based upon the Measuring Metric at close of the Trading Market immediately prior to the Notice Time.

4. Mandatory Redemption. If the Corporation determines to liquidate, dissolve or wind-up its business and affairs, or upon closing or occurrence of any Deemed Liquidation Event, the Corporation will prior to or concurrently with the closing, effectuation or occurrence any such action, redeem the Series C Preferred Stock for cash, by wire transfer of immediately available funds to an account designated by Holder, at the Early Redemption Price set forth in **Section I.F.2** if the event is prior to the Dividend Maturity Date, or at the Liquidation Value if the event is on or after the Dividend Maturity Date.

5. Mechanics of Redemption. In order to redeem any of the Holders' Series C Preferred Stock then outstanding, the Corporation must deliver written notice (each, a "**Redemption Notice**") to each Holder setting forth (a) the number of shares of Series C Preferred Stock that the Corporation is redeeming, (b) the applicable Dividend Rate, Liquidation Value and Early Redemption Price, and (c) the calculation of the amount paid. Upon receipt of full payment in cash for a complete redemption, each Holder will promptly submit to the Corporation such Holder's Series C Preferred Stock certificates. In connection with a mandatory redemption, the notice will be delivered as soon as the number of shares can be determined, and in all other instances at least 30 Trading Days prior to payment. For the avoidance of doubt, the delivery of a Redemption Notice will not affect Holder's rights under **Section I.G** until after receipt of cash payment by Holder at the required time.

G. Conversion.

1. Mechanics of Conversion.

a. One or more shares of the Series C Preferred Stock may be converted, in part or in whole, into shares of Common Stock, at any time or times after the Issuance Date, in the sole and absolute discretion of Holder or, subject to the terms and conditions hereof, the Corporation; (i) if at the option of Holder, by delivery of one or more written notices to the Corporation or its transfer agent (each, a "**Holder Conversion Notice**"), of the Holder's election

to convert any or all of its Series C Preferred Stock; or (ii) if at the option of the Corporation, if the Equity Conditions are met, delivery of written notice to Holder (each, a "**Corporation Conversion Notice,**" with the Holder Conversion Notice, each a "**Conversion Notice,**" and with the Redemption Notice, each an "**Initial Notice**"), of the Corporation's election to convert the Series C Preferred Stock.

b. Each Delivery Notice will set forth the number of shares of Series C Preferred Stock being converted, the minimum number of Conversion Shares and the amount of Dividends and any applicable Conversion Premium due as of the time the Delivery Notice is given (the "**Notice Time**"), and the calculation thereof.

b. If the Corporation notifies Holder by 10:00 a.m. Eastern time on the Trading Day after the Notice Time that it is paying all or any portion of Dividends or Conversion Premium, and actually pays in cash by the next Trading Day, time being of the essence, the full amount of Dividends and Conversion Premium stated in the Delivery Notice, no further amount will be due with respect thereto.

c. As soon as practicable, and in any event within 1 Trading Day of the Notice Time, time being of the essence, the Corporation will do all of the following: (i) transmit the Delivery Notice by facsimile or electronic mail to the Holder, and to the Corporation's transfer agent (the "**Transfer Agent**") with instructions to comply with the Delivery Notice; (ii) either (A) if the Corporation is approved through The Depository Trust Corporation ("**DTC**"), authorize and instruct the credit by the Transfer Agent the aggregate number of Conversion Shares set forth in the Delivery Notice, to Holder's or its designee's balance account with the DTC Fast Automated Securities Transfer (FAST) Program, through its Deposit/Withdrawal at Custodian (DWAC) system, or (B) only if the Corporation is not approved through DTC, issue and surrender to a common carrier for overnight delivery to the address as specified in the Delivery Notice a certificate registered in the name of Holder or its designee, for the number of Conversion Shares set forth in the Delivery Notice, bearing no restrictive legend unless a registration statement covering the Conversion Shares is not effective and neither Company nor Investor provides an opinion of counsel to the effect that Conversion Shares may be issued without restrictive legend; and (iii) if it contends that the Delivery Notice is in any way incorrect, a through explanation of why and its own calculation, or the Delivery Notice will conclusively be deemed correct for all purposes. The Corporation will at all times diligently take or cause to be taken all actions reasonably necessary to cause the Conversion Shares to be issued as soon as practicable.

d. If during the Measurement Period the Holder is entitled to receive additional Conversion Shares with regard to an Initial Notice, Holder may at any time deliver one or more additional written notices to the Corporation or its transfer agent (each, an "**Additional Notice**" and with the Initial Notice, each a "**Delivery Notice**") setting forth the additional number of Conversion Shares to be delivered, and the calculation thereof.

e. If the Corporation for any reason does not issue or cause to be issued to the Holder within 3 Trading Days after the date of a Delivery Notice, the number of Conversion Shares stated in the Delivery Notice, then, in addition to all other remedies available to the Holder, as liquidated damages and not as a penalty, the Corporation will pay in cash to the Holder on each day after such 3rd Trading Day that the issuance of such Conversion Shares is not timely effected

an amount equal to 2% of the product of (i) the aggregate number of Conversion Shares not issued to the Holder on a timely basis and to which the Holder is entitled and (ii) the highest Closing Price of the Common Stock between the date on which the Corporation should have issued such shares to the Holder and the actual date of receipt of Conversion Shares by Holder. It is intended that the foregoing will serve to reasonably compensate Holder for any delay in delivery of Conversion Shares, and not as punishment for any breach by the Corporation. The Corporation acknowledges that the actual damages likely to result from delay in delivery are difficult to estimate and would be difficult for Holder to prove.

f. Notwithstanding any other provision: all of the requirements of **Section I.F** and this **Section I.G** are each independent covenants; the Corporation's obligations to issue and deliver Conversion Shares upon any Delivery Notice are absolute, unconditional and irrevocable; any breach or alleged breach of any representation or agreement, or any violation or alleged violation of any law or regulation, by any party or any other person will not excuse full and timely performance of any of the Corporation's obligations under these sections; and under no circumstances may the Corporation seek or obtain any temporary, interim or preliminary injunctive or equitable relief to prevent or interfere with any issuance of Conversion Shares to Holder.

g. If for any reason whatsoever Holder does not timely receive the number of Conversion Shares stated in any Delivery Notice, Holder will be entitled to a compulsory remedy of immediate specific performance, temporary, interim and, preliminary and final injunctive relief requiring Corporation and its transfer agent, attorneys, officers and directors to immediately issue and deliver the number of Conversion Shares stated by Holder, which requirement will not be stayed for any reason, without the necessity of posting any bond, and which Corporation may not seek to stay or appeal.

h. No fractional shares of Common Stock are to be issued upon conversion of Series C Preferred Stock, but rather the Corporation will issue to Holder scrip or warrants registered on the books of the Corporation (certificated or uncertificated) which will entitle Holder to receive a full share upon the surrender of such scrip or warrants aggregating a full share. The Holder will not be required to deliver the original certificates for the Series C Preferred Stock in order to effect a conversion hereunder. The Corporation will pay any and all taxes which may be payable with respect to the issuance and delivery of any Conversion Shares.

2. Holder Conversion. In the event of a conversion of any Series C Preferred Stock pursuant to a Holder Conversion Notice, the Corporation will (a) satisfy the payment of Dividends and Conversion Premium with respect to the shares of Series C Preferred Stock converted as provided in **Section I.C.2,** and (b) issue to the Holder of such Series C Preferred Stock a number of Conversion Shares equal to (i) the Face Value multiplied by (ii) the number of such Series C Preferred Stock subject to the Holder Conversion Notice divided by (iii) the applicable Conversion Price with respect to such Series C Preferred Stock; all in accordance with the procedures set forth in **Section I.G.1**.

3. Corporation Conversion. The Corporation will have the right to send the Holder a Corporation Conversion Notice at any time in its sole and absolute discretion, if the Equity Conditions are met as of the time such Corporation Conversion Notice is given. Upon any conversion of any Series C Preferred Stock pursuant to a Corporation Conversion Notice, the

Corporation will on the date of such notice (a) satisfy the payment of Dividends and Conversion Premium with respect to the shares of Series C Preferred Stock converted as provided in **Section I.C.2**, and (b) issue to the Holder of such Series C Preferred Stock a number of Conversion Shares equal to (i) the Face Value multiplied by (ii) the number of such Series C Preferred Stock subject to the Holder Conversion Notice divided by (iii) the applicable Conversion Price with respect to such Series C Preferred Stock; all in accordance with the procedures set forth in **Section I.G.1**.

4. **Stock Splits.** If the Corporation at any time on or after the filing of this Certificate of Designations subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock issuable will be proportionately increased. If the Corporation at any time on or after such Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such combination will be proportionately increased and the number of Conversion Shares will be proportionately decreased. Any adjustment under this Section will become effective at the close of business on the date the subdivision or combination becomes effective.

5. **Rights.** In addition to any adjustments pursuant to **Section I.G.4**, if at any time the Corporation grants, issues or sells any options, convertible securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which Holder could have acquired if Holder had held the number of shares of Common Stock acquirable upon conversion of all Preferred Stock held by Holder immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

6. **Notices.** The holders of shares of Series C Preferred Stock are entitled to the same rights as the holders of Common Stock with respect to rights to receive notices, reports and audited accounts from the Company and with respect to attending stockholder meetings.

7. **Definitions.** The following terms will have the following meanings:

a. **"Adjustment Factor"** means $0.10 per share of Common Stock.

b. **"Acquisition"** means the closing of the acquisition of assets contemplated by that certain Asset Purchase Agreement dated December 30, 2015 between Company and the sellers named therein, as disclosed in the current report on Form 8-K filed with the Securities & Exchange Commission on December 31, 2015.

c. "**Closing Price**" means, for any security as of any date, the last closing bid price for such security on the Trading Market, or, if the Trading Market begins to operate on an extended hours basis and does not designate the closing bid price, then the last bid price of such security prior to 4:00 p.m., Eastern time, or, if the Trading Market is not the principal securities exchange or trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security, or, if no closing bid price is reported for such security, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.).

d. "**Conversion Premium**" for each share of Series C Preferred Stock means the Face Value, multiplied by the product of (i) the applicable Dividend Rate, and (ii) the number of whole years between the Issuance Date and the Dividend Maturity Date.

e. "**Conversion Price**" means a price per share of Common Stock equal to $3.25 per share of Common Stock, subject to adjustment as otherwise provided herein.

f. "**Conversion Shares**" means all shares of Common Stock that are required to be or may be issued upon conversion of Series C Preferred Stock.

g. **"Dividend Maturity Date**" means the date that is 7 years after the Issuance Date.

h. "**Equity Conditions**" means on each day during the Measurement Period, (i) the Common Stock is not under chill or freeze from DTC, the Common Stock is designated for trading on OTCQB or higher market and will not have been suspended from trading on such market, and delisting or suspension by the Trading Market has not been threatened or pending, either in writing by such market or because Company has fallen below the then effective minimum listing maintenance requirements of such market; (ii) the Corporation has delivered Conversion Shares upon all conversions or redemptions of the Series C Preferred Stock in accordance with their terms to the Holder on a timely basis; (iii) the Corporation will have no knowledge of any fact that would cause both of the following (A) a registration statement not to be effective and available for the resale of all Conversion Shares, and (B) Section 3(a)(9) under the Securities Act of 1933, as amended, not to be available for the issuance of all Conversion Shares, or Regulation S or Securities Act Rule 144 not to be available for the resale of all the Conversion Shares underlying the Series C Preferred Stock without restriction; (iv) there has been a minimum of $5 million in aggregate trading volume over the last 20 consecutive Trading Days; (v) all shares of Common Stock to which Holder is entitled have been timely received into Holder's designated account in electronic form fully cleared for trading; (vi) the Corporation otherwise will have been in compliance with and will not have breached any provision, covenant, representation or warranty of any Transaction Document; (vii) the Measuring Metric is at least $1.50; (viii) no Trigger Event will have occurred; (ix) the Corporation will have been assigned all right and title to the properties being acquired in the Acquisition, or cumulative assignments representing not less than 90% of the value of the assets described; and (x) the properties being assigned to the Corporation in the Acquisition will have daily production of not less than 700 barrels of oil equivalent per day as of the most recent production data available, not more than 75 days old.

i. "**Measurement Period**" means the period beginning, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, before the Notice Date, and ending, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, after the number of Conversion Shares stated in the initial Notice have actually been received into Holder's designated brokerage account in electronic form and fully cleared for trading; provided that for each day during the Measurement Period on which less than all of the conditions set forth in **Section I.G.6.h** exist, 1 Trading Day will be added to what otherwise would have been the end of the Measurement Period.

j. "**Measuring Metric**" means the volume weighted average price of the Common Stock on any Trading Day following the Issuance Date of the Series C Preferred Stock.

k. **"Maximum Triggering Level"** means $3.75 per share of Common Stock.

l. "**Minimum Triggering Level**" means $2.75 per share of Common Stock.

m. "**Spread Adjustment**" means 100 basis points.

n. "**Stock Purchase Agreement**" means the Stock Purchase Agreement or other agreement pursuant to which any share of Series C Preferred Stock is issued, including all exhibits thereto and all related Transaction Documents as defined therein.

o. "**Trading Day**" means any day on which the Common Stock is traded on the Trading Market.

p. "**Trading Market**" means the NYSE MKT or whatever is at the applicable time, the principal U.S. trading exchange or market for the Common Stock. All Trading Market data will be measured as provided by the appropriate function of the Bloomberg Professional service of Bloomberg Financial Markets or its successor performing similar functions.

7. **Issuance Limitation**.

a. **Beneficial Ownership.** Notwithstanding any other provision, at no time may the Corporation issue shares of Common Stock to Holder which, when aggregated with all other shares of Common Stock then deemed beneficially owned by Holder, would result in Holder owning more than 4.99% of all Common Stock outstanding immediately after giving effect to such issuance, as determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder; provided, however, that Holder may increase such amount to 9.99% upon not less than 61 days' prior notice to the Corporation.. To the extent that any conversion would otherwise result in exceeding the beneficial ownership limitation set forth in the preceding sentence, the Delivery Notice will specify the number of shares that may be delivered without exceeding the limitation, and any issuance beyond such extent will be held in abeyance until such time as it would not result in Holder exceeding the beneficial ownership limitation. No provision of this paragraph may be waived by Holder or the Corporation.

b. Principal Market Regulation. Company will not issue any Conversion Shares under this Certificate of Designations, the Warrant issued to Holder on the Issuance Date, the Securities Purchase Agreement with Investor dated the Issuance Date, the Debenture or the Common Stock Purchase Warrant issued to Investor pursuant thereto, if the issuance would exceed the aggregate number of shares of Common Stock the Company may issue without breaching Company's obligations under NYSE MKT rules, except that such limitation will not apply following stockholder approval in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**").

8. Conversion at Maturity. On the Dividend Maturity Date, all remaining outstanding Series C Preferred Stock will automatically be converted into shares of Common Stock.

H. Trigger Event.

1. Any occurrence of any one or more of the following will constitute a "**Trigger Event**":

(a) Holder does not timely receive the number of Conversion Shares stated in any Conversion Notice pursuant to this Certificate of Designations or any other agreement with Holder for any reason whatsoever, time being of the essence, including without limitation the issuance of restricted shares if counsel for Corporation or Holder provides a legal opinion that shares may be issued without restrictive legend;

(b) Any violation of or failure to timely perform any covenant or provision of this Certificate of Designations, the Stock Purchase Agreement, any Transaction Document or any other agreement with Holder, related to payment of cash, registration or delivery of Conversion Shares, time being of the essence;

(c) Any violation of or failure to perform any covenant or provision of this Certificate of Designations, the Stock Purchase Agreement, any Transaction Document or any other agreement with Holder, which in the case of a default that is curable, is not related to payment of cash, registration or delivery of Conversion Shares, and has not occurred before, is not cured within 5 Trading Days of written notice thereof;

(d) Any representation or warranty made in the Securities Purchase Agreement, any Transaction Document or any other agreement with Holder will be untrue, incorrect, or misleading in any material respect as of the date when made or deemed made;

(e) The occurrence of any default or event of default under any material agreement, lease, document or instrument to which the Corporation or any subsidiary other than CATI Operating LLC, a Texas limited liability company ("**CATI**") is obligated, including without limitation of an aggregate of at least $500,000 of indebtedness;

(f) While any Registration Statement is required to be maintained effective, the effectiveness of the Registration Statement lapses for any reason, including, without limitation, the issuance of a stop order, or the Registration Statement, or the prospectus contained

therein, is unavailable to Holder sale of all Conversion Shares for any 5 or more Trading Days, which may be non-consecutive;

(g) The suspension from trading or the failure of the Common Stock to be trading or listed on the Trading Market;

(h) The Corporation notifies Holder, including without limitation, by way of public announcement or through any of its attorneys, agents or representatives, of its intention not to comply, as required, with a Conversion Notice pursuant to this Certificate of Designations or any other agreement with Holder, at any time, including without limitation any objection or instruction to its transfer agent not to comply with any notice from Holder;

(i) Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors will be instituted by or against the Corporation or any subsidiary other than CATI and, if instituted against the Corporation or any subsidiary other than CATI by a third party, an order for relief is entered or the proceedings are not dismissed within 30 days of their initiation;

(j) The appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, or other similar official of the Corporation or any subsidiary other than CATI or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Corporation or any subsidiary other than CATI in furtherance of any such action or the taking of any action by any person to commence a foreclosure sale or any other similar action under any applicable law;

(k) A final judgment or judgments for the payment of money aggregating in excess of $500,000 are rendered against the Corporation or any of its subsidiaries other than CATI and are not stayed or satisfied within 30 days of entry;

(l) The Corporation does not for any reason timely comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, including without limitation timely filing when first due all periodic reports;

(m) Any regulatory, administrative or enforcement proceeding is initiated against Corporation or any subsidiary (except to the extent an adverse determination would not have a material adverse effect on the Company's business, properties, assets, financial condition or results of operations or prevent the performance by the Company of any material obligation under the Transaction Documents); or

(n) Any material provision of this Certificate of Designations shall at any time for any reason, other than pursuant to the express terms thereof, cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof will be contested by any party thereto, or a proceeding will be commenced by the Corporation or any subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish

the invalidity or unenforceability thereof, or the Corporation or any subsidiary denies that it has any liability or obligation purported to be created under this Certificate of Designations.

2. It is intended that all adjustments made following a Trigger Event will serve to reasonably compensate Holder for the consequences and increased risk following a Trigger Event, and not as a penalty or punishment for any breach by the Corporation. The Corporation acknowledges that the actual damages likely to result from a Trigger Event are difficult to estimate and would be difficult for Holder to prove.

II. General.

A. Notices. Any and all notices to the Corporation will be addressed to the Corporation's Chief Executive Officer at the Corporation's principal place of business on file with the Secretary of State of the State of Nevada. Any and all notices or other communications or deliveries to be provided by the Corporation to any Holder hereunder will be in writing and delivered personally, by electronic mail or facsimile, sent by a nationally recognized overnight courier service addressed to each Holder at the electronic mail, facsimile telephone number or address of such Holder appearing on the books of the Corporation, or if no such electronic mail, facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder will be deemed given and effective on the earliest of (1) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:30 p.m. Eastern time, (2) the date after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail later than 5:30 p.m. but prior to 11:59 p.m. Eastern time on such date, (3) the second business day following the date of mailing, if sent by nationally recognized overnight courier service, or (4) upon actual receipt by the party to whom such notice is required to be given, regardless of how sent.

B. Lost or Mutilated Preferred Stock Certificate. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered Holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing shares of Series C Preferred Stock, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the Holder is a financial institution or other institutional investor its own agreement will be satisfactory) or in the case of any such mutilation upon surrender of such certificate, the Corporation will, at its expense, execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

C. Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designations and will not be deemed to limit or affect any of the provisions hereof.

RESOLVED, FURTHER, that the chairman, chief executive officer, chief financial officer, president or any vice-president, and the secretary or any assistant secretary, of the Corporation be and they hereby are authorized and directed to prepare and file a Designation of Preferences, Rights

and Limitations of Series C Preferred Stock in accordance with the foregoing resolution and the provisions of Nevada law.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this _____ day of _____ 2016.

Signed: _____
Name: _____
Title: Chief Executive Officer

Signed: _____
Name: _____
Title: Chief Financial Officer

Exhibit 3

Form of Transfer Agent Instructions

[Letterhead of Company]

_____ ___, 2016

ClearTrust, LLC
16540 Pointe Village Drive #206
Lutz, FL 33558

Re: Lucas Energy, Inc.

Ladies and Gentlemen:

In accordance with the Stock Purchase Agreement ("**Agreement**"), dated April 6, 2016, by and between Lucas Energy, Inc., a Nevada corporation ("**Company**"), and _____ ("**Investor**"), pursuant to which Company is required to issue and deliver shares of Series C Preferred Stock ("**Preferred Shares**") and reserve, issue and deliver shares ("**Shares**") of Company's Common Stock ("**Common Stock**") upon conversion of the Preferred Shares and exercise of the Warrant purchased by Investor, this will serve as our irrevocable, absolute and unconditional instruction, authorization and direction to you to (a) immediately issue the Preferred Shares and reserve _____ million Shares for issuance to Investor, (b) upon receipt of written notice, from either Company or from Investor with a copy to Company, reserve any additional Shares requested to be reserved by either Company or Investor, and (c) whenever either Company or Investor delivers written instructions to you with a copy of a Delivery Notice, immediately issue the Shares requested by either Company or Investor. Capitalized terms used herein without definition will have the respective meanings ascribed to them in the Agreement.

The Shares will remain in the created reserve until the earlier of their issuance or such date as both Investor and Company provide written instructions that the Shares or any part of them may be taken out of the reserve and will no longer be subject to the terms of these instructions.

Upon your receipt of an instruction from either Company or Investor, you are to process the instruction without delay in accordance with your Routine or Rush procedures, as specified, and use your commercially reasonable best efforts to issue and make available for delivery to Investor the number of Shares set forth in the Delivery Notice as soon as reasonably practicable, and in any event within 3 trading days after receipt of the conversion notice, either: (a) only if you receive written notice that the Registration Statement is not effective and neither Company nor Investor provides an opinion of counsel to the effect that the Shares may be issued without restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing a restrictive legend; (b) only if Company is not approved through DTC, and either Company or Investor provides an opinion of counsel to the effect that the Shares may be issued without restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing no restrictive legend, by delivering by overnight carrier to the address specified in the notice a physical certificate bearing no restrictive legend; or (c) if

Company is DTC eligible and either Company or Investor provides an opinion of counsel to the effect that the Shares may be issued without restrictive legend, by issuing pursuant to the DTC Fast Automated Securities Transfer (FAST) Program, crediting to Investor's or its designee's balance account with DTC through its Deposit Withdrawal At Custodian (DWAC) system, and notifying Investor to cause its bank or broker to initiate the transaction through the DWAC system.

Company and Investor understand that in order to issue unrestricted stock ClearTrust LLC will need to be able to verify on www.sec.gov that a valid registration of the shares is available. If a registration is not effective the following items will be required to issue unrestricted shares pursuant an exemption to registration: (a) an opinion of counsel of Company or Investor, in form, substance and scope customary for opinions of counsel in comparable transactions (and reasonably satisfactory to the transfer agent in accordance with standard industry custom and practice), (b) a seller's representation letter, and (c) with respect to the Warrant, a copy thereof and proof of payment of payment for the issued security.

Company hereby confirms that the Shares should not be subject to any stop-transfer restrictions and will otherwise be freely transferable on the books and records of Company, and if the Shares are certificated, the certificates will not bear any legend restricting transfer of the Shares represented thereby, if a legal opinion is provided as set forth in the preceding paragraph.

Company hereby confirms that no instructions other than as contemplated herein will or may be given to you by Company with respect to the Shares. Company may not instruct you to disregard any reserve or Delivery Notice and you may not do so. You are to comply promptly with any Delivery Notice or share reservation notice received from Investor, notwithstanding any contrary instructions from Company.

Company will not replace you as Company's transfer agent, until a reputable registered transfer agent has agreed in writing to serve as Company's transfer agent and to be bound by all terms and conditions of this letter agreement. In the event that you resign as Company's transfer agent, Company will engage a suitable replacement reputable registered transfer agent that will agree to serve as transfer agent for Company and be bound by the terms and conditions of these irrevocable instructions as soon as practicable and in any event within 3 Trading Days. You may not disclose any information, deliver any documents, or transfer any files to any successor transfer agent until after Investor acknowledges in writing that a suitable successor transfer agent has agreed in writing to be bound by the terms and conditions of these instructions.

Company and Investor understand that ClearTrust, LLC will need payment of transfer agent fees prior to completing conversion(s). ClearTrust, LLC will not be responsible for processing conversions prior to payment of transfer fees not to exceed $150.00 plus shipping fees per conversion request for Routine processing (within 3 business days) or $250.00 plus shipping fees for Rush processing (within 24 hours).

Investor and Company understand that ClearTrust, LLC will not be required to perform any issuances or transfers of shares if (a) the request violates, or would be in violation of, any terms of the Transfer Agent Agreement, (b) such an issuance or transfer of shares be in violation of any state or federal securities laws or regulation or (c) the issuance or transfer of shares be

prohibited or stopped as required or directed by a court order. If the Company informs you that there is a court order stopping issuances and provides you with a certified copy of the order, once received, you will not be obligated to perform any issuances related to the Note and this agreement that are prohibited by the court order.

Company and you hereby acknowledge and confirm that complying with the terms of these instructions does not and will not prohibit you from satisfying any and all fiduciary responsibilities and duties you may owe to Company.

Company will indemnify you and your officers, directors, principals, partners, advisors, attorneys, agents and representatives, and hold each of them harmless from and against any and all loss, cost, liability, damage, claim or expense (including the reasonable fees and disbursements of attorneys) incurred by or asserted against you or any of them arising out of or in connection with complying with any Delivery Notice or any other instruction from Investor, except that Company will not be liable hereunder for any failure by you to comply with a Delivery Notice or any other instructions from Investor, or as to amounts in respect of which it is finally determined by a court of competent jurisdiction to be due solely to your fraud, willful misconduct or gross negligence. You are entitled to indemnity and will have no liability to Company in respect of any action taken in compliance with any Delivery Notice or instruction from Investor, notwithstanding any contrary instructions from Company. Accordingly, you will have no duty or obligation to confirm the accuracy of any calculations or information set forth in any Delivery Notice submitted by the Investor.

Investor is intended to be and is a third party beneficiary hereof, and no amendment or modification to the instructions set forth herein may be made without the prior written consent of Investor. The above instructions cannot be revoked, cancelled or modified without prior written approval of Investor.

The Board of Directors of Company has approved the foregoing irrevocable instructions and does hereby extend Company's irrevocable agreement to indemnify your firm for all loss, liability or expense in carrying out the authority and direction herein contained on the terms herein set forth. You have not previously received contrary instructions from Company or its agents, nor are you aware of any facts or circumstances that would make the transaction improper or illegal under applicable laws or regulations.

The terms of this letter will be governed by the laws of the State of Florida without regard to the conflicts of laws principles thereof, and any action arising out of or relating to these instructions by be filed in Hillsborough County District Court or the U.S. District Court for the Florida Middle District.

IN WITNESS WHEREOF, the parties have caused this letter agreement regarding Transfer Agent Instructions to be duly executed and delivered as of the date first written above.

LUCAS ENERGY, INC.

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED:

CLEARTRUST, LLC

By: _____
Name: _____
Title: _____

Appendix I

Form of Delivery Notice

DELIVERY NOTICE

Reference is made to the Series C Preferred Stock ("**Preferred**") issued by Lucas Energy, Inc., a Nevada corporation ("**Company**") to the Investor named below pursuant to the Stock Purchase Agreement dated April 6, 2016. In accordance with and pursuant to the Certificate of Designations for the Preferred, Investor hereby converts the number of shares of Preferred stated below into shares of Common Stock ("**Common Stock**") of Company, as of the date and time first stated below.

Notice Time: XX/XX/20XX, XX:XX x.m. Eastern time

Preferred Shares to be converted: XX ($10,000 per share)

Conversion Price: $3.25

Number of shares of Common Stock to be issued for Conversion: XX,XXX

Relevant Dividend Rate: X% based on VWAP of $X.XX on XX/XX/20XX

Conversion Premium: $X,XXX.00

Conversion Premium amount paid in cash: $0.00

Estimated lowest daily VWAP during Measurement Period, or lowest sales price on last day of Measurement Period: $X.XX

Estimated Conversion Premium price per share: $X.XX

Estimated number of shares of Common Stock to be issued for Conversion Premium: XX,XXX

Estimated total shares of Common Stock to be issued: XX,XXX

Prior Common Stock issuances related to this Delivery Notice: 0

Shares of Common Stock to be issued now, subject to 4.99% issuance limitation: XX,XXX

Please issue the Common Stock being converted via DWAC in the following name and to the

following broker(s), and notify when Company's transfer agent is ready for broker to initiate DWAC:

Shares:	XX,XXX
Issue to:	INVESTOR NAME
Broker:	BROKER NAME
Address:	BROKER ADDRESS
Account #:	XXX-XXX
DTC#	XXXX
Contact:	NAME AND TELEPHONE

Shares:	XX,XXX
Issue to:	INVESTOR NAME
Broker:	BROKER NAME
Address:	BROKER ADDRESS
Account #:	XXX-XXX
DTC#	XXXX
Contact:	NAME AND TELEPHONE

Exhibit 4

Form of Officer's Certificate

LUCAS ENERGY, INC.

_____ ___, 2016

The undersigned hereby certifies that:

The undersigned is the duly appointed Chief Executive Officer of Lucas Energy, Inc., a Nevada corporation ("**Company**").

This Officer's Certificate ("**Certificate**") is being delivered to _____ ("**Investor**"), by Company, to fulfill the requirement under the Stock Purchase Agreement, dated April 6, 2016, between Investor and Company ("**Agreement**"). Terms used and not defined in this Certificate have the meanings set forth in the Agreement.

The representations and warranties of Company set forth in Sections III.A and III.B of the Agreement are true and correct in all material respects as if made on the above date (except for any representations and warranties that are expressly made as of a particular date, in which case such representations and warranties will be true and correct in all material respects as of such particular date), and no default has occurred under the Agreement, or any other agreement with Investor or any Affiliate of Investor.

Company is not, and will not be as a result of the Closing, in default of the Agreement, any other agreement with Investor or any Affiliate of Investor.

All of the conditions to the Closing required to be satisfied by Company prior to the Closing have been satisfied in their entirety.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date set forth above.

Signed: _____
Name: _____
Title: _____

Exhibit 5

Form of Secretary's Certificate

_____ ___, 2016

The undersigned hereby certifies that:

The undersigned is the duly appointed Secretary of Lucas Energy, Inc., a Nevada corporation (the "**Company**").

This Secretary's Certificate ("**Certificate**") is being delivered to _____ ("**Investor**"), by Company, to fulfill the requirement under the Stock Purchase Agreement, dated April 6, 2016, between Investor and Company ("**Agreement**"). Terms used and not defined in this Certificate have the meanings set forth in the Agreement.

Attached hereto as **Exhibit "A"** is a true, correct and complete copy of the Certificate of Incorporation of Company, as in effect on the Effective Date.

Attached hereto as **Exhibit "B"** is a true, correct and complete copy of the Bylaws of Company, as in effect on the Effective Date.

Attached hereto as **Exhibit "C"** is a true, correct and complete copy of the resolutions of the Board of Directors of Company authorizing the Agreement, the Transaction Documents, and the transactions contemplated thereby. Such resolutions have not been amended or rescinded and remain in full force and effect as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Secretary's Certificate as of the date set forth above.

Signed: _____
Name: _____
Title: _____

Exhibit 6

Form of Warrant

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

LUCAS, ENERGY, INC.

COMMON STOCK PURCHASE WARRANT

Warrant Shares: 1,111,112

Issuance Date: _____ ___, 2016
Expiration Date: March 31, 2017

This Common Stock Purchase Warrant ("**Warrant**") certifies that, for value received, _____ ("**Investor**") is entitled and obligated, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, to subscribe for and purchase from Lucas Energy, Inc., a Nevada corporation ("**Company**"), 1,111,112 shares (as subject to adjustment hereunder, "**Warrant Shares**") of Common Stock, at an exercise price equal to $4.50, subject to adjustment hereunder ("**Conversion Price**") per share of Common Stock, for total aggregate purchase price of $5,000,000.00 ("**Purchase Price**").

I. Warrant.

A. Issuance. This Warrant is issued pursuant to that certain Securities Purchase Agreement ("**Agreement**") of even date herewith. Capitalized terms not otherwise defined herein will have the meanings defined in the Agreement.

B. Exercise. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time, from time to time, after the Issuance Date and before the Expiration Date, by mutual agreement of Investor and Company before or after delivery to or from Investor or Company (or such other office or agency of Company as it may designate by notice in writing to Investor) of a Conversion Notice, and Investor paying Company the Purchase

Price by wire transfer of immediately available funds before or within 3 Trading Days after the Notice Time. No ink-original Delivery Notice will be required, nor will any medallion guarantee (or other type of guarantee or notarization) of any Delivery Notice form be required. Investor will not be required to physically surrender this Warrant to Company.

C. No Transfer of Warrant. This Warrant is non-transferable and may not be sold, transferred or assigned by Investor.

D. No Cashless Exercise. No cashless exercise of this Warrant will be permitted.

E. Liquidation. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Company, prior to any distribution or payment made to the holders of Common Stock or Preferred Stock by reason of their ownership thereof, Investor will be entitled to be paid out of the assets of the Company available for distribution an amount with respect to any unexercised portion of this Warrant equal to the Purchase Price for such unexercised portion of this Warrant, plus an amount equal to any accrued but unpaid Premium thereon (collectively with the Purchase Price, the "**Liquidation Value**"). The Liquidation Value, and upon any redemption of this Warrant pursuant to **Section I.F**, the Maturity Redemption Price, Early Redemption Price, or Liquidation Value, as applicable, will be reduced by the amount of any unpaid Purchase Price, and any Premium or Conversion Premium with respect thereto, whether or not required to be paid. By way of example, if Investor has paid none of the Purchase Price, the Maturity Redemption Price, Early Redemption Price and Liquidation Value will be zero.

F. Redemption.

1. Company's Redemption Option. On the Warrant Maturity Date, the Company may redeem the entire unexercised portion of this Warrant by paying Investor in cash an amount per share equal to 100% of the Purchase Price for such unexercised portion of this Warrant (the "**Maturity Redemption Price**").

2. Early Redemption. Prior to the Warrant Maturity Date, provided that no Trigger Event has occurred, the Company will have the right at any time upon 30 Trading Days' prior written notice, in its sole and absolute discretion, to redeem all or any portion of this Warrant then outstanding by paying Investor in cash an amount (the "**Early Redemption Price**") equal to the sum of the following: (a) 100% of the Purchase Price for such unexercised portion of this Warrant, plus (b) the Conversion Premium thereon, minus (c) any Premium thereon that has been paid.

3. Credit Risk Adjustment.

a. Premium.

i. Commencing on the date of the issuance of this Warrant ("**Issuance Date**"), this Warrant will accrue a premium ("**Premium**"), at a rate equal to 6.0% per annum, subject to adjustment as provided in this Warrant ("**Premium Rate**"), of the Purchase Price. The Premium will be payable with respect to any part of this Warrant upon any of the

following: (a) upon redemption of such part in accordance with **Section I.F**; and (b) upon conversion of such part in accordance with **Section I.G**.

ii. Premium, as well as any applicable Conversion Premium payable hereunder, will be paid: (a) in the Company's sole and absolute discretion, immediately in cash; or (b) if Company notifies Investor it will not pay all or any portion in cash, or to the extent cash is not paid and received as soon as practicable, and in any event within 1 Trading Day after the Notice Time, for any reason whatsoever, in shares of Common Stock valued at (i) if there has never been a Trigger Event, (A) 95.0% of the average of the 5 lowest individual daily volume weighted average prices of the Common Stock on the Trading Market during the applicable Measurement Period, which may be non-consecutive, less $0.05 per share of Common Stock, not to exceed (B) 100% of the lowest sales price on the last day of such Measurement Period less $0.05 per share of Common Stock (ii) following any Trigger Event, (A) 85.0% of the lowest daily volume weighted average price during any Measurement Period for any conversion by Investor, less $0.10 per share of Common Stock, not to exceed (B) 85.0% of the lowest sales price on the last day of any Measurement Period, less $0.10 per share of Common Stock. In no event will the value of Common Stock pursuant to the foregoing be below the par value per share. All amounts that are required or permitted to be paid in cash pursuant to this Warrant will be paid by wire transfer of immediately available funds to an account designated by Investor.

iii. The Premium Rate will adjust downward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric rises above the Maximum Triggering Level, down to a minimum of 0.0%.

iv. The Premium Rate will adjust upward by an amount equal to the Spread Adjustment for each amount, if any, equal to the Adjustment Factor that the Measuring Metric falls below the Minimum Triggering Level, up to a maximum of 24.95%. In addition, the Premium Rate will adjust upward by 10.0% following the occurrence of any Trigger Event.

v. The adjusted Premium Rate used for calculation of the Liquidation Value, Conversion Premium, Early Redemption Price and Premium, as applicable, and the amount of Premium owed will be calculated and determined based upon the Measuring Metric at close of the Trading Market immediately prior to the Notice Time.

4. **Mandatory Redemption.** If the Company determines to liquidate, dissolve or wind-up its business and affairs, the Company will prior to or concurrently with the closing, effectuation or occurrence any such action, redeem the entire unexercised portion of this Warrant for cash, by wire transfer of immediately available funds to an account designated by Investor, at the Early Redemption Price set forth in **Section I.F.2** if the event is prior to the Warrant Maturity Date, or at the Liquidation Value if the event is on or after the Warrant Maturity Date.

5. **Mechanics of Redemption.** In order to redeem all or any portion of the Warrant then outstanding, the Company must deliver written notice (each, a "**Redemption Notice**") to Investor setting forth (a) the portion of this Warrant that the Company is redeeming, (b) the applicable Premium Rate, Liquidation Value and Early Redemption Price, and (c) the calculation of the amount paid. Upon receipt of full payment in cash for a complete redemption,

Investor will promptly submit to the Company the original Warrant. In connection with a mandatory redemption, the notice will be delivered as soon as the number of shares can be determined, and in all other instances at least 30 Trading Days prior to payment. For the avoidance of doubt, the delivery of a Redemption Notice will not affect Investor's rights under **Section I.G** until after receipt of cash payment by Investor at the required time.

G. Exercise.

1. Mechanics of Exercise.

a. Promptly upon the occurrence of any exercise provided for in **Section I.B.**, Investor will deliver a written notice to the Company and its transfer agent ("**Conversion Notice**" and with the Redemption Notice, each an "**Initial Notice**") of the exercise of this Warrant.

b. Each Delivery Notice will set forth the amount of Warrant being converted, the minimum number of Conversion Shares and the amount of Premium and any applicable Conversion Premium due as of the time the Delivery Notice is given (the "**Notice Time**"), and the calculation thereof.

b. If the Company notifies Investor by 10:00 a.m. Eastern time on the Trading Day after the Notice Time that it is paying all or any portion of Premium or Conversion Premium, and actually pays in cash by the next Trading Day, time being of the essence, the full amount of Premium and Conversion Premium stated in the Delivery Notice, no further amount will be due with respect thereto.

c. As soon as practicable, and in any event within 1 Trading Day of the Notice Time, time being of the essence, the Company will do all of the following: (i) transmit the Delivery Notice by facsimile or electronic mail to the Investor, and to the Company's transfer agent (the "**Transfer Agent**") with instructions to comply with the Delivery Notice; (ii) either (A) if the Company is approved through The Depository Trust Company ("**DTC**"), authorize and instruct the credit by the Transfer Agent the aggregate number of Conversion Shares set forth in the Delivery Notice, to Investor's or its designee's balance account with the DTC Fast Automated Securities Transfer (FAST) Program, through its Deposit/Withdrawal at Custodian (DWAC) system, or (B) only if the Company is not approved through DTC, issue and surrender to a common carrier for overnight delivery to the address as specified in the Delivery Notice a certificate registered in the name of Investor or its designee, for the number of Conversion Shares set forth in the Delivery Notice, bearing no restrictive legend unless a registration statement covering the Conversion Shares is not effective and neither Company nor Investor provides an opinion of counsel to the effect that Conversion Shares may be issued without restrictive legend; and (iii) if it contends that the Delivery Notice is in any way incorrect, a through explanation of why and its own calculation, or the Delivery Notice will conclusively be deemed correct for all purposes. The Company will at all times diligently take or cause to be taken all actions reasonably necessary to cause the Conversion Shares to be issued as soon as practicable.

d. If during the Measurement Period the Investor is entitled to receive additional Conversion Shares with regard to an Initial Notice, Investor may at any time deliver one

or more additional written notices to the Company or its transfer agent (each, an "**Additional Notice**" and with the Initial Notice, each a "**Delivery Notice**") setting forth the additional number of Conversion Shares to be delivered, and the calculation thereof.

e. If the Company for any reason does not issue or cause to be issued to the Investor within 3 Trading Days after the date of a Delivery Notice, the number of Conversion Shares stated in the Delivery Notice, then, in addition to all other remedies available to the Investor, as liquidated damages and not as a penalty, the Company will pay in cash to the Investor on each day after such 3rd Trading Day that the issuance of such Conversion Shares is not timely effected an amount equal to 2% of the product of (i) the aggregate number of Conversion Shares not issued to the Investor on a timely basis and to which the Investor is entitled and (ii) the highest Closing Price of the Common Stock between the date on which the Company should have issued such shares to the Investor and the actual date of receipt of Conversion Shares by Investor. It is intended that the foregoing will serve to reasonably compensate Investor for any delay in delivery of Conversion Shares, and not as punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from delay in delivery are difficult to estimate and would be difficult for Investor to prove.

f. Notwithstanding any other provision: all of the requirements of **Section I.F** and this **Section I.G** are each independent covenants; the Company's obligations to issue and deliver Conversion Shares upon any Delivery Notice are absolute, unconditional and irrevocable; any breach or alleged breach of any representation or agreement, or any violation or alleged violation of any law or regulation, by any party or any other person will not excuse full and timely performance of any of the Company's obligations under these sections; and under no circumstances may the Company seek or obtain any temporary, interim or preliminary injunctive or equitable relief to prevent or interfere with any issuance of Conversion Shares to Investor.

g. If for any reason whatsoever Investor does not timely receive the number of Conversion Shares stated in any Delivery Notice, Investor will be entitled to a compulsory remedy of immediate specific performance, temporary, interim and, preliminary and final injunctive relief requiring Company and its transfer agent, attorneys, officers and directors to immediately issue and deliver the number of Conversion Shares stated by Investor, which requirement will not be stayed for any reason, without the necessity of posting any bond, and which Company may not seek to stay or appeal.

h. No fractional shares of Common Stock are to be issued upon conversion of this Warrant, but rather the Company will issue to Investor scrip or warrants registered on the books of the Company (certificated or uncertificated) which will entitle Investor to receive a full share upon the surrender of such scrip or warrants aggregating a full share. The Investor will not be required to deliver the original Warrant in order to effect a conversion hereunder. The Company will pay any and all taxes which may be payable with respect to the issuance and delivery of any Conversion Shares.

2. Exercise. Upon receipt of the Conversion Notice, the Company will (a) satisfy the payment of Premium and Conversion Premium as provided in **Section I.F.3.a.ii,** and (b) issue to Investor a number of Conversion Shares equal to (i) the Purchase Price of the portion

converted divided by (ii) the applicable Conversion Price with respect to such portion of the Warrant; all in accordance with the procedures set forth in **Section I.G.1**.

3. **Stock Splits.** If the Company at any time on or after the filing of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock issuable will be proportionately increased. If the Company at any time on or after such Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the applicable Conversion Price, Adjustment Factor, Maximum Triggering Level, Minimum Triggering Level, and other share based metrics in effect immediately prior to such combination will be proportionately increased and the number of Conversion Shares will be proportionately decreased. Any adjustment under this Section will become effective at the close of business on the date the subdivision or combination becomes effective.

4. **Notices.** The holders of shares of Warrant are entitled to the same rights as the holders of Common Stock with respect to rights to receive notices, reports and audited accounts from the Company and with respect to attending stockholder meetings.

5. **Definitions.** The following terms will have the following meanings:

a. **"Adjustment Factor**" means $0.10 per share of Common Stock.

b. **"Acquisition"** means the closing of the acquisition of assets contemplated by that certain Asset Purchase Agreement dated December 30, 2015 between Company and the sellers named therein, as disclosed in the current report on Form 8-K filed with the Securities & Exchange Commission on December 31, 2015.

c. "**Closing Price**" means, for any security as of any date, the last closing bid price for such security on the Trading Market, or, if the Trading Market begins to operate on an extended hours basis and does not designate the closing bid price, then the last bid price of such security prior to 4:00 p.m., Eastern time, or, if the Trading Market is not the principal securities exchange or trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security, or, if no closing bid price is reported for such security, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.).

d. "**Conversion Premium**" for each portion of Warrant means the Purchase Price, multiplied by the product of (i) the applicable Premium Rate, and (ii) the number of whole years between the Issuance Date and the Warrant Maturity Date.

e. "**Conversion Price**" means a price per share of Common Stock equal to $4.50 per share of Common Stock, subject to adjustment as otherwise provided herein.

f. "**Conversion Shares**" means all shares of Common Stock that are required to be or may be issued upon conversion of Warrant.

g. "**Equity Conditions**" means on each day during the Measurement Period, (i) the Common Stock is not under chill or freeze from DTC, the Common Stock is designated for trading on OTCQB or higher market and will not have been suspended from trading on such market, and delisting or suspension by the Trading Market has not been threatened or pending, either in writing by such market or because Company has fallen below the then effective minimum listing maintenance requirements of such market; (ii) the Company has delivered Conversion Shares upon all conversions or redemptions of the Warrant in accordance with their terms to the Investor on a timely basis; (iii) the Company will have no knowledge of any fact that would cause both of the following (A) a registration statement not to be effective and available for the resale of all Conversion Shares, and (B) Section 3(a)(9) under the Securities Act of 1933, as amended, not to be available for the issuance of all Conversion Shares, or Regulation S or Securities Act Rule 144 not to be available for the resale of all the Conversion Shares underlying the Warrant without restriction; (iv) all shares of Common Stock to which Investor is entitled have been timely received into Investor's designated account in electronic form fully cleared for trading; (v) the Company otherwise will have been in compliance with and will not have breached any provision, covenant, representation or warranty of any Transaction Document; (vi) the Measuring Metric is at least $1.00.

h. **"Warrant Maturity Date**" means the date that is 7 years after the Issuance Date.

i. "**Measurement Period**" means the period beginning, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, before the Notice Date, and ending, if no Trigger Event has occurred 30 Trading Days, and if a Trigger Event has occurred 60 Trading Days, after the number of Conversion Shares stated in the initial Notice have actually been received into Investor's designated brokerage account in electronic form and fully cleared for trading; provided that for each day during the Measurement Period on which less than all of the conditions set forth in **Section I.G.6.h** exist, 1 Trading Day will be added to what otherwise would have been the end of the Measurement Period.

j. "**Measuring Metric**" means the volume weighted average price of the Common Stock on any Trading Day following the Issuance Date of the Warrant.

k. **"Maximum Triggering Level"** means $5.00 per share of Common Stock.

l. "**Minimum Triggering Level**" means $4.00 per share of Common Stock.

m. "**Spread Adjustment**" means 100 basis points.

n. "**Securities Purchase Agreement**" means the Securities Purchase Agreement or other agreement pursuant to which the Warrant is issued, including all exhibits thereto and all related Transaction Documents as defined therein.

o. "**Trading Day**" means any day on which the Common Stock is traded on the Trading Market.

p. "**Trading Market**" means the NYSE MKT or whatever is at the applicable time, the principal U.S. trading exchange or market for the Common Stock. All Trading Market data will be measured as provided by the appropriate function of the Bloomberg Professional service of Bloomberg Financial Markets or its successor performing similar functions.

7. Issuance Limitations.

a. Beneficial Ownership. Notwithstanding any other provision, at no time may the Company issue shares of Common Stock to Investor which, when aggregated with all other shares of Common Stock then deemed beneficially owned by Investor, would result in Investor owning more than 4.99% of all Common Stock outstanding immediately after giving effect to such issuance, as determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder; provided, however, that Investor may increase such amount to 9.99% upon not less than 61 days' prior notice to the Company. To the extent that any exercise would otherwise result in exceeding the beneficial ownership limitation set forth in the preceding sentence, the Delivery Notice will specify the number of shares that may be delivered without exceeding the limitation, and any issuance beyond such extent will be held in abeyance until such time as it would not result in Investor exceeding the beneficial ownership limitation. No provision of this paragraph may be waived by Investor or the Company.

b. Principal Market Regulation. Company will not issue any Conversion Shares under this Warrant, the Series C Preferred Stock issued to Holder on the Issuance Date, the Securities Purchase Agreement with Investor dated the Issuance Date, the Debenture or the Common Stock Purchase Warrant issued to Investor pursuant thereto, if the issuance would exceed the aggregate number of shares of Common Stock the Company may issue without breaching Company's obligations under NYSE MKT rules, except that such limitation will not apply following stockholder approval in accordance with the requirements of NYSE MKT rules or a waiver from NYSE MKT ("**Approval**").

H. Trigger Event.

1. Any occurrence of any one or more of the following will constitute a "**Trigger Event**":

(a) Investor does not timely receive the number of Conversion Shares stated in any Conversion Notice pursuant to this Warrant or any other agreement with Investor for any reason whatsoever, time being of the essence, including without limitation the issuance of restricted shares if counsel for Company or Investor provides a legal opinion that shares may be issued without restrictive legend;

(b) Any violation of or failure to timely perform any covenant or provision of this Warrant, the Stock Purchase Agreement, any Transaction Document or any other agreement with Investor, related to payment of cash, registration or delivery of Conversion Shares, time being of the essence;

(c) Any violation of or failure to perform any covenant or provision of this Warrant, the Securities Purchase Agreement, any Transaction Document or any other agreement with Investor, which in the case of a default that is curable, is not related to payment of cash, registration or delivery of Conversion Shares, and has not occurred before, is not cured within 5 Trading Days of written notice thereof;

(d) Any representation or warranty made in the Stock Purchase Agreement, any Transaction Document or any other agreement with Investor will be untrue, incorrect, or misleading in any material respect as of the date when made or deemed made;

(e) The occurrence of any default or event of default under any material agreement, lease, document or instrument to which the Company or any subsidiary other than CATI Operating LLC, a Texas limited liability company ("**CATI**") is obligated, including without limitation of an aggregate of at least $500,000 of indebtedness;

(f) While any Registration Statement is required to be maintained effective, the effectiveness of the Registration Statement lapses for any reason, including, without limitation, the issuance of a stop order, or the Registration Statement, or the prospectus contained therein, is unavailable to Investor sale of all Conversion Shares for any 5 or more Trading Days, which may be non-consecutive;

(g) The suspension from trading or the failure of the Common Stock to be trading or listed on the Trading Market;

(h) The Company notifies Investor, including without limitation, by way of public announcement or through any of its attorneys, agents or representatives, of its intention not to comply, as required, with a Conversion Notice under this Warrant or any other agreement with Investor at any time, including without limitation any objection or instruction to its transfer agent not to comply with any notice from Investor;

(i) Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors will be instituted by or against the Company or any subsidiary other than CATI and, if instituted against the Company or any subsidiary other than CATI by a third party, an order for relief is entered or the proceedings are not dismissed within 30 days of their initiation;

(j) The appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, or other similar official of the Company or any subsidiary other than CATI or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any subsidiary other than CATI in furtherance of any such action or the taking of any action by any person to commence a foreclosure sale or any other similar action under any applicable law;

(k) A final judgment or judgments for the payment of money aggregating in excess of $500,000 are rendered against the Company or any of its subsidiaries other than CATI and are not stayed or satisfied within 30 days of entry;

(l) The Company does not for any reason timely comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, including without limitation timely filing when first due all periodic reports;

(m) Any regulatory, administrative or enforcement proceeding is initiated against Company or any subsidiary (except to the extent an adverse determination would not have a material adverse effect on the Company's business, properties, assets, financial condition or results of operations or prevent the performance by the Company of any material obligation under the Transaction Documents); or

(n) Any material provision of this Warrant will at any time for any reason, other than pursuant to the express terms thereof, cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof will be contested by any party thereto, or a proceeding will be commenced by the Company or any subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any subsidiary denies that it has any liability or obligation purported to be created under this Warrant.

2. It is intended that all adjustments made following a Trigger Event will serve to reasonably compensate Investor for the consequences and increased risk following a Trigger Event, and not as a penalty or punishment for any breach by the Company. The Company acknowledges that the actual damages likely to result from a Trigger Event are difficult to estimate and would be difficult for Investor to prove.

II. Miscellaneous.

A. Notices. Any and all notices to the Company will be addressed to the Company's Chief Executive Officer at the Company's principal place of business on file with the Secretary of State of the State of Nevada. Any and all notices or other communications or deliveries to be provided by the Company to any Investor hereunder will be in writing and delivered personally, by electronic mail or facsimile, sent by a nationally recognized overnight courier service addressed to each Investor at the electronic mail, facsimile telephone number or address of such Investor appearing on the books of the Company, or if no such electronic mail, facsimile telephone number or address appears, at the principal place of business of the Investor. Any notice or other communication or deliveries hereunder will be deemed given and effective on the earliest of (1) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail prior to 5:30 p.m. Eastern time, (2) the date after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail later than 5:30 p.m. but prior to 11:59 p.m. Eastern time on such date, (3) the second business day following the date of mailing, if sent by nationally recognized overnight courier service, or (4) upon actual receipt by the party to whom such notice is required to be given, regardless of how sent.

B. Lost or Mutilated Warrant. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of Investor will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to Company (provided that if Investor is a financial

institution or institutional investor its own agreement will be satisfactory) or in the case of any such mutilation upon surrender of such certificate, Company will, at its expense, execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

C. Headings. The headings contained herein are for convenience only, do not constitute a part of this Warrant and will not be deemed to limit or affect any of the provisions hereof.

D. Choice of Law. This Warrant will be governed by the laws of the State of Nevada.

E. No Rights as Stockholder Until Exercise. This Warrant does not entitle Investor to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the undersigned have executed this Warrant as of the date first set forth above.

Signed: _____
Name: _____
Title: Chief Executive Officer

Signed: _____
Name: _____
Title: Chief Financial Officer

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CAMBER ENERGY, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION №. 4:17-cv-1436
	§	
DISCOVER GROWTH FUND, and FIFTH THIRD SECURITIES, INC.,	§	JURY REQUESTED
	§	
	§	
Defendants.	§	
	§	

TEMPORARY RESTRAINING ORDER AND ORDER SETTING HEARING FOR PRELIMINARY INJUNCTION

THE COURT has considered Camber Energy, Inc.'s ("***Camber's***") Petition and Request For Temporary Restraining Order, Preliminary Injunction and Permanent Injunction against Discover Growth Fund ("***Discover***") and Fifth Third Securities, Inc. ("***Fifth Third***"), and any responses thereto, and the Court is of the opinion that such Temporary Restraining Order should be GRANTED.

THE COURT FINDS that harm is imminent and if the Court does not issue the temporary restraining order, Camber will be irreparably injured if Discover continues converting/exercising the Redeemable Convertible Subordinated

Debenture and Series C Redeemable Convertible Preferred Stock and exercising the Common Stock Purchase Warrant (collectively, the "***Securities***"), selling shares of Camber, or shorting or pledging Camber shares, Camber will continue to suffer immediate and irreparable harm as Camber's share values will decrease to the point Camber is delisted from the NYSE and put out of business and because Camber's probable injury includes imminent harm and irreparable injury, and because there is no adequate remedy at law for damages.

THEREFORE, it is ORDERED that Discover and Fifth Third, their agents, subsidiaries, predecessors, successors, partners (both general and limited), officers, directors, employees, representatives, assigns, affiliates and anyone or any entity acting in concert with them directly and indirectly, are now restrained from converting/exercising the Securities of Camber, selling Camber shares and from shorting or pledging Camber shares.

ORDERED that the Clerk of the Court issue notice to Discover and Fifth Third that the hearing on Camber's application for preliminary injunction is set for the _____ day of _____ 2017 at _____ .m. The purpose of the hearing shall be to determine whether the temporary restraining order should be made a preliminary injunction pending a full trial on the merits; and

ORDERED that bond is set at $_____.

SIGNED this _____ day of _____ 2017 at _____ O'clock.

_____
HONORABLE JUDGE PRESIDING

JS 44 (Rev. 08/16)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. *(SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)*

I. (a) PLAINTIFFS
Camber Energy, Inc.

(b) County of Residence of First Listed Plaintiff Harris
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys *(Firm Name, Address, and Telephone Number)*
Timothy J. Henderson
6300 West Loop South, Suite 280, Bellaire, Texas 77401
713-667-7878

DEFENDANTS
Discover Growth Fund
Fifth Third Securities, Inc.
Roth Capital Partners, LLC

County of Residence of First Listed Defendant Grand Cayman
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys *(If Known)*

II. BASIS OF JURISDICTION *(Place an "X" in One Box Only)*

- ☐ 1 U.S. Government Plaintiff
- ☐ 3 Federal Question *(U.S. Government Not a Party)*
- ☐ 2 U.S. Government Defendant
- ☒ 4 Diversity *(Indicate Citizenship of Parties in Item III)*

III. CITIZENSHIP OF PRINCIPAL PARTIES *(Place an "X" in One Box for Plaintiff and One Box for Defendant)*
(For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☒ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☒ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT *(Place an "X" in One Box Only)*

Click here for: Nature of Suit Code Descriptions.

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excludes Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS

PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury
- ☐ 362 Personal Injury - Medical Malpractice

PERSONAL INJURY
- ☐ 365 Personal Injury - Product Liability
- ☐ 367 Health Care/ Pharmaceutical Personal Injury Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

CIVIL RIGHTS
- ☐ 440 Other Civil Rights
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/ Accommodations
- ☐ 445 Amer. w/Disabilities - Employment
- ☐ 446 Amer. w/Disabilities - Other
- ☐ 448 Education

PRISONER PETITIONS

Habeas Corpus:
- ☐ 463 Alien Detainee
- ☐ 510 Motions to Vacate Sentence
- ☐ 530 General
- ☐ 535 Death Penalty

Other:
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition
- ☐ 560 Civil Detainee - Conditions of Confinement

FORFEITURE/PENALTY
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Management Relations
- ☐ 740 Railway Labor Act
- ☐ 751 Family and Medical Leave Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Employee Retirement Income Security Act

IMMIGRATION
- ☐ 462 Naturalization Application
- ☐ 465 Other Immigration Actions

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS—Third Party 26 USC 7609

OTHER STATUTES
- ☐ 375 False Claims Act
- ☐ 376 Qui Tam (31 USC 3729(a))
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☒ 850 Securities/Commodities/ Exchange
- ☐ 890 Other Statutory Actions
- ☐ 891 Agricultural Acts
- ☐ 893 Environmental Matters
- ☐ 895 Freedom of Information Act
- ☐ 896 Arbitration
- ☐ 899 Administrative Procedure Act/Review or Appeal of Agency Decision
- ☐ 950 Constitutionality of State Statutes

V. ORIGIN *(Place an "X" in One Box Only)*

☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from Another District *(specify)* ☐ 6 Multidistrict Litigation - Transfer ☐ 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing *(Do not cite jurisdictional statutes unless diversity)*:
28 U.S.C. 1332

Brief description of cause:
Fraud

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.

DEMAND $

CHECK YES only if demanded in complaint:
JURY DEMAND: ☒ Yes ☐ No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE _____ DOCKET NUMBER _____

DATE
05/09/2017

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____