

**SUMMARY OF TERMS OF THE PRIVATE PLACEMENT OF  
SERIES AA PREFERRED STOCK OF  
BLUE TALON DATA SYSTEMS, INC.**

**As of July 9, 2014**

The following is a summary of the principal terms with respect to the Series AA Preferred Stock financing of Blue Talon Data Systems, Inc., a Delaware corporation (the "*Company*").

**Terms**

Security	Series AA Preferred Stock of the Company (the " <i>Series AA Preferred</i> ").
Amount of Financing	Up to \$5,000,000.
Lead Investor	Data Collective II, L.P. (" <i>DCVC</i> ").
Closings	Initial closing of \$1,500,000 from DCVC completed on September 16, 2013. Subsequent closings approved through September 30, 2014.
Price Per Share	Price per share of \$0.70 per share (the " <i>Original Issue Price</i> "), based on a pre-money valuation of \$7,000,000 at the time of the initial closing.
Liquidation Preference	One times the Original Issue Price plus declared but unpaid dividends on each share of Series AA Preferred, balance of proceeds paid to holders of the Common Stock of the Company (" <i>Common Stock</i> ").  The following will be considered a Deemed Liquidation Event, (a) a merger or consolidation in which (i) the Corporation is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, or (b) the sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company (a " <i>Deemed Liquidation Event</i> ").
Optional Conversion	The Series AA Preferred initially converts 1:1 to Common Stock at the option of the holder, subject to anti-dilution adjustment and proportional adjustment for stock splits, stock dividends and the like.
Anti-dilution Adjustment	Standard broad-based weighted average adjustment, subject to customary exceptions.
Mandatory Conversion	Each share of Series AA Preferred will automatically be converted into Common Stock at the then applicable conversion rate in the event of either (a) the closing of firm commitment underwritten public offering resulting in at least \$30,000,000 of proceeds to the Company, or (b) by vote of at least a majority of the then outstanding shares of Series AA Preferred.
Voting Rights	The Series AA Preferred shall vote together with the Common Stock on an as-converted basis as a single class except as otherwise provided by law or by other provisions of the Certificate of Incorporation of the Company, as amended (the " <i>Charter</i> ").

Protective Provisions	<p>So long as any shares of Series AA are outstanding, in addition to any other vote or approval required under the Charter or the Company's Bylaws, the Company will not, without the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series AA Preferred Stock:</p> <ul style="list-style-type: none"> <li>(i) liquidate, dissolve, or wind-up the business and affairs of the Company;</li> <li>(ii) amend or repeal any provision of the charter documents;</li> <li>(iii) authorize shares with a lower price per share or that has parity or is senior to Series AA;</li> <li>(iv) increase authorized shares of any additional class;</li> <li>(v) reclassify to be senior or pari passu to Series AA;</li> <li>(vi) redeem shares;</li> <li>(vii) issue debt security;</li> <li>(viii) create non-wholly owned subsidiary or sell stock of any subsidiary;</li> <li>(ix) increase or decrease number of directors; or</li> <li>(x) increase shares authorized for issuance under the Company's equity incentive plan.</li> </ul>
IRA Rights	Standard registration rights, information rights, preemptive and observer rights.
Director and Officer Insurance	The Company shall use commercially reasonable efforts to obtain director and officer insurance with a carrier and in an amount satisfactory to the Board.
Non-Competition, Non-Solicitation Non-Disclosure and Developments Rights Agreements	The Company will cause each employee or consultant with access to confidential information to enter into a proprietary information and inventions assignment agreement, and upon request, a noncompetition and nonsolicit agreement.
Employee Stock Options	Unless approved by Board, including both Series AA Preferred directors to the extent elected, all employees or consultants stock option vesting shall be four years, one-year cliff, with market stand-off and right of first refusal on employee transfers.
Matters Requiring Series AA Director Approval	So long as the holders of Series AA Preferred are entitled to elect a Series AA Preferred director, the Company shall obtain Board approval, including approval of both Series AA Preferred directors to the extent elected, for the following acts: (i) loans to any other entities (unless a wholly-owned subsidiary), (ii) loans to any employees or directors, (iii) guaranteeing any indebtedness except in ordinary course of business or under the terms of an employee stock or option plan approved by the Board, (iv) making any investments inconsistent with approval by Board, (v) incurring any expense in excess of \$100,000, (vi) entering into any transaction with any director, officer, employee, (vii) except in ordinary course, hire, terminate or change compensation of any executive officers, (viii) changing the principal business of Company, (ix) selling or assigning material IP, (x) entering into any corporate strategic relationship involving payment of more than \$100,000, (xi) approving on a quarterly basis the Company's annual operating budget, or (xii) approving issuance of Common Stock or options to employees, directors, consultants and advisors.

Right of First Refusal	Key Holders (Pratik Verma and AgeTak Holdings, LLC) are subject to a Right of First Refusal for shares held.
Board of Directors Structure	<p>As long as at least 500,000 shares of Series AA Preferred remain outstanding, the holders of Series AA Preferred are entitled to elect two (2) directors. Holders of Common Stock are entitled to elect two (2) directors. The holders of Series AA and Common Stock, voting together as a single class, shall be entitled to elect any remaining directors.</p> <p>The Board currently consist of five (5) members comprised of (i) Pratik Verma as the representative designated by holders of a majority of the Common Stock, (ii) Matt Ocko, (iii) Eric Tilenius as CEO director, and (iv) Scott Barclay as the unaffiliated director mutually acceptable to holders of a majority of the Series AA Preferred and Common Stock, with one vacancy to be elected by the holders of majority of the Series AA Preferred. In the event that the Company appoints a Non-Executive Chairman, the size of the Board will increase to seven (7) directors.</p>