

**KX SYSTEMS, INC.  
1997 Stock Plan  
Exercise Notice**

Kx Systems, Inc.  
555 Bryant Street, Suite 375  
Palo Alto, California 94301

Attention: Chief Executive Officer

1. Exercise of Option. Effective as of today, November 15, 2006, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase 1,000 shares of the Common Stock (the "Shares") of KX Systems, Inc. (the "Company") at a price of \$1.45 per share under and pursuant to the 1997 Stock Plan (the "Plan") and the Stock Option Agreement dated October 24, 2003 (the "Option Agreement").

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares shall be issued to the Optionee as soon as practical after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 12 of the Plan.

5. Company's Right of First Refusal. Before any Shares held by Optionee or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 5 (the "Company's Right of First Refusal").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written Notice (the "Notice") Stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other Transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each proposed Transferee; and (iv) the bona fide cash price or other consideration for which the

Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. For 15 days following receipt of such notice, the Corporation shall have the option to purchase all or any lesser part of the securities specified in the notice at the price and upon the terms set forth in such notice. In the event the Corporation elects to purchase all the securities, it shall give written notice to the selling security holder of its election, and settlement for the securities shall be made as provided herein.

(c) Large Security Holder's Right of Refusal. In the event the Corporation does not elect to acquire all of the shares specified in the selling security holders notice, the Secretary shall, within 15 days of receipt of the selling security holder's notice, give written notice thereof of the security holders holding more than one percent of the outstanding shares entitled to Vote at an election of directors ("Large Security Holders") of the Corporation other than the selling security Holder. The written notice shall state the securities that the Corporation has elected to purchase, if any, and the securities remaining available for purchase (which shall be the same as the number contained in the selling security holder's notice, less any such securities that the Corporation has elected to purchase). Each of the Large Security holders shall have the option to purchase up to all of the remaining available for purchase subject to the allocation procedure set forth below. A Large Security holder electing to exercise such option shall, within ten days after receipt of the Corporation's notice, give written notice to the Corporation specifying the maximum number of securities such Large Security holder will purchase. Failure to respond in writing within the ten day period to the notice given by the Secretary shall be deemed a rejection of such Large Security holder's right to acquire a proportionate part of the securities of the selling security holder. If the aggregate elections of the Large Security holders equal or exceed the amount of securities remaining for purchase after giving effect any election by the Company, the remaining securities will be Allocated among the electing Large Security holders as follows: (i) each Large Security holder will be allocated its pro rata share of such remaining securities, based on the number of shares held by such Large Security holder prior to such election, up to an aggregate allocation equal to the maximum specified by such Large Security holder in its election notice (ii) any securities remaining after such allocation shall be allocated to each Large Security holder who has not yet been allocated the maximum amount specified in its election notice, pro rata based on the number of shares held by such remaining Large Security holders prior to such elections, up to an aggregate allocation equal to the maximum specified by such Large Security holder in its election notice and (iii) the procedure set forth in clause (ii) will be repeated until no securities remain to be allocated.

(d) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company, its assignee(s) or the Large Security holders under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash against delivery, the Corporation, its assignee(s) and/or its Large Security holders shall pay for the securities on the same terms and conditions set forth in the selling security holder's notice.

(e) Payment. In the event the Corporation, its assignee(s) and/or its Large Security holders, other than the selling security holder, elect to acquire all of the securities of the selling security holder as specified in the selling security holder's notice, the Secretary shall so notify the selling security holder and settlement thereof shall be made in cash within 30 days after the Secretary receives the selling security holder's notice.

(f) Holder's Right to Transfer. In the event the Corporation, its assignee(s) and/or its Large Security holders do not elect to acquire all of the securities specified in the selling security holder's notice, the Corporation and/or its Large Security holders shall have no right to purchase any of such securities and the selling security holder may, within the 90 day period following the expiration of the option rights granted to the Corporation and Large Security holders herein, sell elsewhere the securities Specified in the selling Security Holder's notice, provided that the sale shall not be on terms and conditions substantially more favorable to the purchaser than those contained in the bona fide offer set forth in the selling security holders' notice. All securities so sold by the selling security holder shall continue to be subject to the provisions of this Section 5 in the same manner as before the transfer.

(g) Exceptions

Anything to the contrary contained herein notwithstanding, Permitted Transactions shall be exempt from the provisions of this Section 5. Permitted Transactions are:

(1) A security holder's transfer of any or all securities held either during such security holder's lifetime or on death by will or intestacy to such security holder's immediate family. "Immediate family" as used herein shall mean spouse, lineal descendant, father, Mother, brother, or sister of the security holder making such transfer and shall include any trust established primarily for the benefit of the security holder or his immediate family.

(2) A security holder's bona fide pledge or mortgage of any securities with a commercial lending institution, provided that any subsequent transfer of said securities by said institution shall be conducted in conformance with all restrictions on the security holder.

(3) A security holder's transfer of any or all such security holder's securities to the Corporation or to any other security holder.

(4) A Security holder's transfer of any or all such security holder's securities to a person who, at the time of such transfer, is an officer or director.

(5) A corporate security holder's transfer of any or all of its securities pursuant to and in accordance with the terms of any merger, consolidation, reclassification of securities or capital reorganization of the terms of the corporate security holder, or pursuant to a sale of all or substantially all of the assets of the corporate security holder.

(6) A Corporate security holder's transfer of any or all of its shares to any or all of its security holders, subsidiaries, parent corporations, corporations under common control with the security holder, or employees, or a partnership, trust or corporation whose interest holders are, in the majority, employees or security holders.

(7) A transfer by a security holder which is a limited or general partnership or any or all of its partners or to any other partnership having the same general partner.

(8) A Security holder's sale of securities pursuant to a registration statement which has been declared effective under the Securities Act of 1933, as amended (the "Securities Act") or pursuant to Rule 144 promulgated thereunder.

Any sale or transfer, or purported sale or transfer, of securities of the Corporation shall be null and void unless the terms conditions and provisions of this Section 5 are strictly observed and followed.

(h) Termination of Right of First Refusal. The right of first refusal in this Section shall terminate upon the closing of a public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale to the public of Common Stock for the account of the Corporation or its stockholders or both (i) having an aggregate offering price to the public of not less than \$5,000,000 or (ii) resulting in at least 25% of the Company's equity being held by the public.

6. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

#### 7. Restrictive Legends and Stop-Transfer Orders

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND ANY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNCIL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER

AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

(b) Stop-Transfer notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in is

(a) Refusal to transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement shall insure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

9. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

10. Governing Law: Severability. This agreement is governed by the internal substantive laws but not the choice of law rules, of California.

11. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

Submitted By:

Andrea Conway (Optionee)

Accepted By:

Kx Systems, Inc.

By: Andrea Conway

Robert C. Fourr

Name: ANDREA CONWAY

Robert C. Fourr  
COO and General Counsel

Title: consultant

**EXHIBIT B**  
**Investment Representation Statement**

Optionee: Andrea Conway  
Security: COMMON STOCK  
Amount: 1,000 shares  
Date: November 15, 2006

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Company the following:

- (a) Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").
- (b) Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities.
- (c) Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which in substance, permit limited public resale of "restricted securities" acquired directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144. Including (1) the resale being made through

a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur no less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the securities less than two years, the satisfaction of the conditions set forth in sections (1), (2) and (4) of the paragraph immediately above.