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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **December 11, 2018**

SONOMA PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33216
(Commission
File Number)

68-0423298
(IRS Employer
Identification No.)

1129 N. McDowell Blvd.
Petaluma, CA 94954
(Address of principal executive offices)
(Zip Code)

(707) 283-0550
(Registrant's telephone number, including area code)

Not applicable.
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers;
Compensatory Arrangements of Certain Officers.**

Appointment of New Chief Executive Officer, Director and Interim Chief Financial Officer

Effective December 11, 2018, our Board appointed Mr. Frederick (Bubba) Sandford as our Chief Executive Officer and Interim Chief Financial Officer for an initial term of nine months, subject to a mutual extension of an additional three months. Mr. Sandford was appointed as a Class III director of the Board on December 14, 2018. We look forward to working with Mr. Sandford as he brings operational and leadership experience to our Board. As a former U.S. Navy Seal, he is adept at confronting difficult situations, and we trust he can lead Sonoma Pharmaceuticals on a successful turnaround.

Bubba Sandford, 57, served as President, Chief Executive Officer and Director of Command Center, Inc. from February 2013 to March 2018, where he successfully led a turnaround of the company and transformed it into a profitable enterprise, with nearly \$100 million in revenue, 66 stores in 22 states and approximately 34,000 workers. Mr. Sandford has over 30 years of experience leading companies in various industries, including staffing, technology, industrial fabrication, security services, waste management, and retail companies, at various stages, including startups, turnarounds and wind downs. Prior to 2013, Mr. Sandford served as an independent consultant to Silicon Valley venture capitalists, and, from 2003 to 2005, he led the restructuring of The Environmental Trust. Mr. Sandford earned a B.A. in Psychology from the University of Massachusetts at Amherst. He was awarded a full fellowship and earned his MBA from Cornell University, while also serving as Chief Executive Officer of Student Agencies, America's oldest student-run company. Mr. Sandford is also a former U.S. Navy Seal.

In connection with Mr. Sandford's appointment as our Chief Executive Officer and Interim Chief Financial Officer, we entered into an employment agreement with him, in which we agreed to pay him a base annual salary of \$350,000 per year. We also agreed to pay him a performance bonus of a maximum of 60% of his base annual salary for achieving certain agreed upon targets.

Mr. Sandford will also be granted 450,000 stock options to purchase our common stock, of which 400,000 stock options will be as an inducement grant and 50,000 stock options will come from the Company's equity incentive plan. The exercise price will be equal to the closing price of the common stock on the grant date.

In connection with his appointment, we also entered into an indemnification agreement with Mr. Sandford. The indemnification agreement sets forth the circumstances and procedures pursuant to which we agree, by contract, to indemnify our directors and certain of our officers against claims and losses arising from their services as directors and officers. The agreement is substantially identical to the form of indemnification agreement filed as Exhibit 10.1 to our Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007.

There are no arrangements or understandings between Mr. Sandford and any other persons pursuant to which he was appointed to serve on the Board, nor were there any transactions or proposed transactions involving Mr. Sandford as a participant as required to be disclosed by Item 404(a) of Regulation S-K.

Resignation of Chief Executive Officer, President and Director and Chief Financial Officer and Secretary

Effective December 12, 2018, Jim Schutz and Robert Miller resigned from their positions as our Chief Executive Officer and President and Chief Financial Officer and Secretary, respectively. On the same date, Mr. Schutz also resigned from the Board. We thank them both for their years of service, and we wish them the best in their future endeavors.

In connection with Mr. Schutz's resignation, we entered into a separation and mutual release agreement with Mr. Schutz on December 13, 2018, in which we agreed to pay him severance, consisting of \$250,000, to be paid in two equal installments with the first half to be paid with the next payroll after his termination and the second half to be paid with the next payroll after three months, \$38,461 to compensate him for his unused paid time off, and continuation of dental, vision and health insurance until December 31, 2018. Mr. Schutz's outstanding equity awards were accelerated to December 12, 2018 and will remain exercisable until January 14, 2019. Mr. Schutz also agreed to aid with the transition for 30 calendar days.

In connection with Mr. Miller's resignation, we entered into a separation and mutual release agreement with Mr. Miller on December 13, 2018, in which we agreed to pay him severance, consisting of \$225,000, to be paid in two equal installments with the first half to be paid with the next payroll after his termination and the second half to be paid with the next payroll after three months, \$38,461 to compensate him for his unused paid time off, and continuation of dental, vision and health insurance until December 31, 2018. Mr. Miller's outstanding equity awards were accelerated to December 12, 2018 and will remain exercisable until January 14, 2019.

The foregoing descriptions of the separation and mutual release agreements and employment agreement are not complete and are qualified in their entirety by reference to the full text of the severance and mutual release agreements and employment agreement, copies of which are filed herewith as Exhibit 10.1 through 10.3 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

- 10.1 [Separation and Mutual Release between Sonoma Pharmaceuticals, Inc. and Jim Schutz, dated December 13, 2018.](#)
- 10.2 [Separation and Mutual Release between Sonoma Pharmaceuticals, Inc. and Robert E. Miller, dated December 13, 2018.](#)
- 10.3 [Employment Agreement between Sonoma Pharmaceuticals, Inc. and Frederick Sandford, effective December 11, 2018.](#)
- 17.1 [Resignation letter by Jim Schutz, dated December 12, 2018.](#)

SIGNATURES

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

Sonoma Pharmaceuticals, Inc.
(Registrant)

Date: December 14, 2018

By: /s/ Frederick Sandford
Name: Frederick Sandford
Title: Chief Executive Officer

SEPARATION AGREEMENT AND MUTUAL RELEASE

The Separation Agreement and Mutual Release (the "Agreement") is entered into on this 13th day of December, 2018, by and between Sonoma Pharmaceuticals, Inc. (the "Company") and Jim Schutz ("Employee"), collectively called the "Parties."

Employee and the Company herein agree to mutually release each other from any and all claims arising from or related to the Employee's employment relationship with the Company.

In consideration of the promises made herein, the Parties agree as follows:

1. Termination. The Parties acknowledge and agree that Employee was employed as Chief Executive Officer of the Company, and Employee's employment with the Company will be terminated effective December 12, 2018 (the "Termination Date").

2. Consideration.

(a) In consideration for the release of claims set forth below and other obligations under the Agreement, the Company agrees to pay Employee two hundred fifty thousand dollars (\$250,000), less applicable tax withholdings (the "Severance Payment"). The Parties agree that the aforementioned severance pay covers any amounts due under Section 5 of the Employment Agreement signed by Employee and the Company, effective July 26, 2016, a copy of which is attached hereto as **Exhibit A** (the "Employment Agreement"). For the avoidance of doubt, no bonus of any kind, payable in full or partial, has accrued. The Severance Payment will be paid out in two equal installments with the first half paid with the next regular payroll following the Termination Date and the second half paid on the regular payroll date following the expiration of three months from the Termination Date.

If Employee violates *Section 7, Section 8, Section 9, Section 10, Section 11* and/or *Section 12* of this Agreement, the Company shall be entitled to repayment of the Severance Payment described in Section 2(a) of this Agreement.

(b) Employee shall receive an amount of \$38,460.80 for accrued 320 hours of paid time off, payable with the next regular payroll following the Termination Date.

(c) Employee shall continue the Company's health, dental and vision plan coverage until and including December 31, 2018 as provided for in Section 2(a) of this Agreement. After December 31, 2018, Employee will be entitled to health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), if Employee so timely elects and makes the necessary payments, to the extent required by law.

(d) All outstanding equity grants of Employee shall immediately vest on the Termination Date and remain exercisable until January 14, 2019. Employee is responsible for any local, state and/or federal taxes due to such vesting. Should Employee fail to pay such taxes, any such amounts due will be deducted from the Severance Payment.

(e) In accord with Section 4.2 of the Employment Agreement, business expenses incurred by Employee through the Termination Date will be reimbursed consistent with Company policy.

(f) Employee agrees to buy out the Company's interest in the Company car and he agrees to remove the Company from the title at his expense by December 21, 2018. If Employee fails to perform his obligation pursuant to this Section 2(f), the Company shall deduct all expenses and the amount of the Company interest in the Company car from the second installment of the Severance Payment.

3. No Other Payments Due. Employee acknowledges and agrees that he has received all salary, accrued vacation, commissions, bonuses, compensation, shares of stock options therefore or other such sums due to Employee other than the sum to be paid pursuant to Section 2 of the Agreement.

4. Mutual Release of Claims.

- (a) Subject to the terms of this Agreement, and in exchange for the Separation Payment set forth in Section 2 herein, Employee on his own behalf and on behalf of his heirs, spouses, executors, administrators, and agents, hereby releases and discharges the Company and current and former of its officers, directors, owners, partners, employees, parent companies or entities, subsidiaries, affiliates, related entities, franchisor, affiliated entities, successors-in-interest, predecessors-in-interest, advisors, legal counsel, representatives, and agents, individually and collectively ("Releasees"), of and from any and all known or unknown liabilities, claims, demands for damages, costs, indemnification, contribution, or any other thing for which Employee has or may have a known or unknown cause of action, claim, or demand for damages, costs, indemnification, or contribution, whether certain or speculative, which may have at any time prior hereto come into existence or which may be brought in the future in connection with any acts or omissions which have arisen at any time prior to the date of execution of this Agreement, including, but not limited to, any and all claims Employee has or may have relating to, or arising out of the employment of Employee by Company, including but not limited to any claims by Employee for breach of employment contract, or unpaid wages, any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, or that Employee has been wrongfully terminated by Company, including any claim for harassment or discrimination, discharge in violation of public policy and/or violation of any state and federal laws, including without limitation, the *Americans With Disabilities Act*, *Title VII Of The Civil Rights Act Of 1964*, as amended, the *Fair Labor Standards Acts*, as amended, the *National Labor Relations Act*, as amended, the *Labor-Management Relations Act*, as amended, the *Worker Adjustment And Retraining Notification Act Of 1988*, as amended, the *Rehabilitation Act Of 1973*, as amended, the *Equal Pay Act*, the *Employee Retirement Income Security Act Of 1974*, as amended, the *Family Medical Leave Act Of 1993*, as amended, the *Age Discrimination in Employment Act*, the *Older Workers Benefit Protection Act*, x the *Civil Rights Act of 1991*, Sections 1981 through 1988 of Title 42 of the United States Code, as amended, the *Immigration Reform and Control Act*, as amended, the *Occupational Safety and Health Act*, as amended, all California state civil rights, employment and wage and hour laws, including those pertaining to overtime pay, timely payment of compensation, meal and rest period pay, and penalties and interest upon late or unpaid compensation; the California *Equal Pay Law*, as amended; the California *Unruh Act*, as amended, the California *Smokers' Rights Law*, as amended; any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters, and any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance, including any applicable contract, tort, constitutional or common law based claims that Employee has or may have as of the date of execution of this Agreement, including but not limited to, any applicable California state laws governing employee and employer rights and obligations.
- (b) However, the release set forth in this section excludes, and the Employee does not waive, release, or discharge: (i) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing or other similar federal or state administrative agencies, although the Employee waives monetary relief related to such a charge or administrative complaint; (ii) claims which cannot be waived by law; (iii) indemnification rights the Employee has against the Company; (iv) claims for coverage under any D&O or other similar insurance policy; and (vi) any rights to vested benefits, such as pension or retirement benefits.
- (c) The Company and Employee agree that the release set forth in this section shall be and remain in effect in all respects as a complete and general release as to the matters released. This release does not extend to any obligations incurred under the Agreement.
- (d) The Company expressly waives and releases any and all claims against the Employee that may be waived and released by law with the exception of claims arising out of or attributable to (a) events, acts or omissions taking place after the Parties' execution of this Agreement; (b) the Employee's breach of any terms and conditions of this Agreement; and (c) the Employee's criminal activities or intentional misconduct occurring during the Employee's employment with the Company.

5. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payment of any sums to Employee under the terms of the Agreement. Employee agrees and understands that he is responsible for payment, if any, of local, state and/or federal taxes on the sums paid hereunder by the Company or as a result of equity grants being accelerated in accordance with Section 2(c) hereof and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of Employee's failure to pay federal or state taxes or damages sustained by the Company by reason of any such claims.

6. Resignation from Boards and Committees. In accord with Section 5.9 of the Employment Agreement signed by Employee and the Company, effective July 26, 2016, a copy of which is attached hereto as **Exhibit A** (the "Employment Agreement"), Employee is required to immediately resign from (i) each and every board of directors (or similar body as the case may be) of the Company and each of its affiliates on which Employee may be serving, including but not limited to, the Board (and any committees thereof), and (ii) each and every office of the Company and each of its affiliates that Employee may hold, and all positions that Employee has previously held with the Company and any of its affiliates.

7. Anti-Solicitation. In accord with Section 9 of the Employment Agreement, Employee agrees that he will not, for a period of two (2) years after the Termination Date use the Company's confidential information to, directly or indirectly, individually or as a consultant to or as an employee, officer, shareholder, director or other owner or participant in any business, influence or attempt to influence the customers, vendors, suppliers, joint ventures, associates, consultants, agents or partners of any entity within the Company Group (as defined in the Employment Agreement), either directly or indirectly, to divert their business away from the Company Group, to any individual, partnership, firm, corporation or other entity then in competition with the business of any entity within the Company Group and he will not otherwise materially interview with any business relationship of any entity within the Company Group.

8. Nondisclosure of Confidential and Proprietary Information. Employee agrees that, regardless of the termination of his employment from the Company he shall continue to maintain the confidentiality of all confidential and proprietary information of the Company as provided in Section 7 of the Employment Agreement.

Employee agrees that at all times hereafter, he shall not intentionally divulge, furnish or make available to any party any of the trade secrets, patents, patent applications, price decisions or determinations, inventions, customers, proprietary information or other intellectual property rights of the Company, until after such time as such information has become publicly known otherwise than by act of collusion of Employee. Employee further agrees that he has and will take all reasonably necessary steps to ensure that he does not unintentionally divulge, furnish or make available any of the Company's confidential and proprietary information described above.

Employee further agrees that at all times hereafter, he shall not use any of the Company's confidential and proprietary information to solicit any of the Company's current customers.

Nothing in this confidentiality provision prohibits or restricts the Employee (or Employee's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any other federal or state regulatory authority regarding this settlement or its underlying facts or circumstances or in connection with reporting a possible securities law violation.

Furthermore, nothing in this Agreement shall prohibit or is intended to interfere with the exercise of Employee's rights under Section 7 of the National Labor Relations Act (NLRA).

9. Return of Company Property. Employee acknowledges and agrees that all files, accounts, records, materials, documents, drawings, sketches, designs, diagrams, models, blueprints, plans, specifications, manuals, books, forms, receipts, notes, reports, memoranda, studies, data, calculations, recordings, catalogues, compilations of information, correspondence, in any form, including, but not limited to, paper and electronic form, and all copies, abstracts and summaries of the foregoing, instruments, tools and equipment and all other physical items, whether of a public nature or not, and whether prepared by Employee or not, shall remain the sole and exclusive property of the Company and have not and shall not be removed from the premises of the Company and if so, have properly been returned to the Company by the Termination Date. Employee further agrees that he has promptly surrendered and delivered to the Company all the foregoing property, and Employee will not take with him any description containing or pertaining to any confidential and proprietary information which he made, produced or came into possession of during the course of his employment with the Company.

10. Non-Solicitation of Employees. In accord with Section 10 of the Employment Agreement, Employee agrees that he will not for one (1) year after the Termination Date, directly or indirectly, individually or as a consultant to, or as an employee, officer, shareholder, director, or other owner of or participant in any business, solicit (or assist in soliciting) any person who is then, or at any time within six (6) months prior thereto, was an employee of any entity within the Company Group, who earned annually \$25,000 or more as an employee of such entity during the last six (6) months of his or her own employment to work for (as an employee, consultant or otherwise) any business, individual, partnership, firm, corporation, or other entity whether or not engaged in competitive business with any entity in the Company Group.

11. Cooperation.

- (a) Employee agrees that for a period of 30 calendar days from the Termination Date, he will make himself reasonably available for questions regarding the Company or its business operations or relations.
- (b) Employee agrees that he will cooperate in a smooth transition of his termination, including but not limited to signing any documents required to grant access to bank accounts of the Company, amend passwords to accounts held by the Company, forms required by various state and federal agencies related to the management of the Company.
- (c) In accord with Section 13 of the Employment Agreement, Employee agrees that he will reasonably cooperate with the Company, subject to his reasonable personal and business schedules, in any litigation which arises out of events occurring prior to the Termination Date, including, but not limited to, serving as a witness or consultant, and will produce documents and information relevant to the case or helpful to the Company. The Company agrees to reimburse Employee for all reasonable costs and expenses he incurs in connection with his obligations under this section and, in addition, to reasonably compensate Employee for time actually spent in connection therewith following the termination of his employment with the Company.

12. Mutual Non-Disparagement. Employee agrees to refrain from any defamation, slander, or tortious interference with the contracts and relationships of the Company, whether in writing, verbally or electronically, including any references to the Company on any social media site which could be construed as casting the Company in a negative light.

Employee further agrees to refrain from communications with or disparagement to any regulatory agency about the Company, including, but not limited to, lodging complaints about the Company or offering any testimony or evidence against the Company in any legal or administrative action unless compelled to do so under the authority of law.

The Company agrees to refrain from any defamation, slander, or tortious interference with the contracts and relationships of the Employee, whether in writing, verbally or electronically, including any references to the Employee on any social media site which could be construed as casting the Employee in a negative light.

13. Breach of the Agreement. Employee acknowledges that in the event of a breach of the confidential and proprietary information provision contained in Section 8 of the Agreement, damages would not be an adequate remedy to compensate the Company for the losses suffered as a result of the breach and that the Company would sustain irreparable harm from such breach. Therefore, Employee agrees that in addition to any other remedies which the Company may have under the Agreement or otherwise, the Company shall be entitled to obtain equitable relief, including specific performance and injunctions, such as a Temporary Restraining Order, to restrain Employee from committing or continuing any such violation of the Agreement without the necessity of proving actual damages or to require Employee to post any bond or other undertaking in connection with any such action. Nothing in this section shall be construed to limit the damages otherwise recoverable by the Company in any such event. Employee acknowledges and agrees that upon Employee's material or intentional breach of any of the provisions of the Agreement (including Section 8) and following written notice of such breach by the Company to Employee and an opportunity to cure such breach within five (5) business days where such breach may be cured, in addition to any other remedies the Company may have, the Company's obligations to provide payment pursuant to this Agreement to Employee immediately terminate.

The Company also reserves the right to inform any Person, and the principals of any such Person, that the Company reasonably believes to be receiving or to be contemplating receiving from Employee any assistance of confidential and proprietary information in violation of this section, and of the rights of the Company under this section and/or the confidentiality provision of the Employment Agreement attached hereto as **Exhibit A**, that participation by such Person and Employee in activities in violation of this section and/or **Exhibit A** may give rise to claims by the Company against such Person.

14. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of the Agreement. Employee represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through the Employee to bind them to the terms and conditions of the Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

- 15. No Representations.** Each party represents that it/he has carefully read and understands the scope and effect of the provisions of the Agreement. Neither party has relied upon any representations or statements made by the other party which are not specifically set forth in the Agreement.
- 16. Costs.** The Parties shall each bear their own costs, attorneys' fees and other fees incurred in connection with the execution of the Agreement.
- 17. Severability.** In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, the Agreement shall continue in full force and effect without said provision.
- 18. Entire Agreement.** The Agreement and all exhibits/attachments represent the entire agreement and understanding between the Parties concerning Employee's separation from the Company.
- 19. Oral Modification.** The Agreement may only be amended in a writing signed by Employee and an authorized officer of the Company.
- 20. Governing Law.** The Agreement shall be governed by the laws of the State of California.
- 21. Effective Date.** This Agreement shall be effective upon signing by both Parties. The "Effective Date" is the latest date any Party signs this Agreement.
- 22. Counterparts.** The Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.
- 23. Assignment.** The Agreement may not be assigned by Employee or the Company without the prior written consent of the other party. Notwithstanding the foregoing, the Agreement may be assigned by the Company to a corporation controlling, controlled by or under common control with the Company without the consent of Employee.
- 24. Arbitration.** The Parties agree that any and all claims arising out this Agreement shall be subject to the provisions of Section 14(i) of the Employment Agreement, the terms of which are fully incorporated herein and attached as **Exhibit A**.
- 25. Voluntary Execution of Agreement.** The Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:
- (a) They have read the Agreement;
 - (b) They have been represented in the preparation, negotiation and execution of the Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;
 - (c) They understand the terms and consequences of the Agreement and of the releases it contains; and
 - (d) They are fully aware of the legal and binding effect of the Agreement.
- 26. Reserved..**

27. Notice Requirements: Each notice provided for under this Agreement (“Notice”), must comply with the requirements as set forth in this Section 27. Each Notice shall be in writing and sent by facsimile or depositing it with a nationally recognized overnight courier service that obtains receipts (such as Federal Express or UPS Next Day Air), addressed to the appropriate party (and marked to a particular individual’s attention, if so indicated) as hereinafter provided. Each Notice shall be effective upon being so telecopied or deposited, but the time period in which a response to any notice must be given or any action taken with respect thereto shall commence to run from the date of receipt of the Notice by the addressee thereof, as evidenced by the return receipt. Rejection or other refusal by the addressee to accept or the inability to deliver because of a changed address of which no Notice was given shall be deemed to be the receipt of the Notice sent. Any party shall have the right from time to time to change the address or individual’s attention to which notices to it shall be sent by giving to the other party at least ten (10) calendar days prior Notice thereof. The Parties’ addresses for providing Notices hereunder shall be as follows:

Chief Executive Officer
Sonoma Pharmaceuticals, Inc.
1129 N. McDowell Blvd.
Petaluma, CA 94954
Direct Line 707-559-7381
Fax 415-462-5182
vcovel@sonomapharma.com

Jim Schutz
At the address on file with the Company

[Signature page follows]

HAVING ELECTED TO EXECUTE THIS AGREEMENT, TO FULFILL THE PROMISES AND TO RECEIVE THE BENEFITS IN SECTION 2 ABOVE, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT INTENDING TO WAIVE, SETTLE, AND RELEASE ALL CLAIMS HE HAS OR MIGHT HAVE AGAINST SONOMA PHARMACEUTICALS, INC.

EMPLOYEE:

/s/ Jim Schutz

Jim Schutz
Print Name

Dated: _____

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND TO FULFILL THE PROMISES AND TO RECEIVE THE BENEFITS SET FORTH ABOVE, COMPANY, BY AND THROUGH ITS AUTHORIZED REPRESENTATIVE, FREELY AND KNOWINGLY, ENTERS INTO THIS AGREEMENT.

SONOMA PHARMACEUTICALS, INC.

/s/ Jerry McLaughlin

Jerry McLauthlin
Lead Independent Director
Dated: December 12, 2018

Victoria Covell
Assistant Controller
Sonoma Pharmaceuticals, Inc.
1129 North McDowell Blvd
Petaluma, CA 94954

Re: Separation Agreement and Mutual Release

Dear Ms. Covell:

On December 13, 2018 I executed a Separation Agreement and Mutual Release between Sonoma Pharmaceuticals, Inc. and me. I was advised by Sonoma Pharmaceuticals, Inc., in writing, to consult with an attorney of my choosing prior to executing this Separation Agreement and Mutual Release.

I have been advised that I have seven (7) calendar days to formerly revoke my acceptance of the above-mentioned Separation Agreement and Mutual Release. Per this correspondence, which I am personally delivering to Victoria Covell, Assistant Controller, at the Company, by overnight mail or facsimile, and which is postmarked within seven (7) calendar days after my execution of this Agreement, I hereby revoke my acceptance or execution of that Separation Agreement and Mutual Release. Therefore, in accordance with the terms of the Separation Agreement and Mutual Release, I withdraw any claim for payment by the Company of the monies described in Section 2(a) of that Agreement.

Very truly yours,

Signature

Print Name

Dated: _____

SEPARATION AGREEMENT AND MUTUAL RELEASE

The Separation Agreement and Mutual Release (the "Agreement") is entered into on this 13th day of December, 2018, by and between Sonoma Pharmaceuticals, Inc. (the "Company") and Robert E. Miller ("Employee"), collectively called the "Parties."

Employee and the Company herein agree to mutually release each other from any and all claims arising from or related to the Employee's employment relationship with the Company.

In consideration of the promises made herein, the Parties agree as follows:

- 1. Termination.** The Parties acknowledge and agree that Employee was employed as Chief Financial Officer of the Company, and Employee's employment with the Company will be terminated effective December 12, 2018 (the "Termination Date").
- 2. Consideration.**
 - (a) In consideration for the release of claims set forth below and other obligations under the Agreement, the Company agrees to pay Employee two hundred twenty-five thousand dollars (\$225,000), less applicable tax withholdings (the "Severance Payment"). The Parties agree that the aforementioned severance pay covers any amounts due under Section 5 of the Employment Agreement signed by Employee and the Company, effective November 30, 2016, a copy of which is attached hereto as Exhibit A (the "Employment Agreement"). For the avoidance of doubt, no bonus of any kind, payable in full or partial, has accrued. The Severance Payment will be paid out in two equal installments with the first half paid with the next regular payroll following the Termination Date and the second half paid on the regular payroll date following the expiration of three months from the Termination Date.

If Employee violates *Section 7, Section 8, Section 9, Section 10, Section 11* and/or *Section 12* of this Agreement, the Company shall be entitled to repayment of the Severance Payment described in Section 2(a) of this Agreement.
 - (b) Employee shall receive an amount of \$38,460.80 for accrued 320 hours of paid time off, payable with the next regular payroll following the Termination Date.
 - (c) Employee shall continue the Company's health, dental and vision plan coverage until and including December 31, 2018 as provided for in Section 2(a) of this Agreement. After December 31, 2018, Employee will be entitled to health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), if Employee so timely elects and makes the necessary payments, to the extent required by law.
 - (d) All outstanding equity grants of Employee shall immediately vest on the Termination Date and remain exercisable until January 14, 2019. Employee is responsible for any local, state and/or federal taxes due to such vesting. Should Employee fail to pay such taxes, any such amounts due will be deducted from the Severance Payment.
 - (e) In accord with Section 4.2 of the Employment Agreement, business expenses incurred by Employee through the Termination Date will be reimbursed consistent with Company policy.
- 3. No Other Payments Due.** Employee acknowledges and agrees that he has received all salary, accrued vacation, commissions, bonuses, compensation, shares of stock options therefore or other such sums due to Employee other than the sum to be paid pursuant to Section 2 of the Agreement.

4. Mutual Release of Claims.

- (a) Subject to the terms of this Agreement, and in exchange for the Separation Payment set forth in Section 2 herein, Employee on his own behalf and on behalf of his heirs, spouses, executors, administrators, and agents, hereby releases and discharges the Company and current and former of its officers, directors, owners, partners, employees, parent companies or entities, subsidiaries, affiliates, related entities, franchisor, affiliated entities, successors-in-interest, predecessors-in-interest, advisors, legal counsel, representatives, and agents, individually and collectively ("Releasees"), of and from any and all known or unknown liabilities, claims, demands for damages, costs, indemnification, contribution, or any other thing for which Employee has or may have a known or unknown cause of action, claim, or demand for damages, costs, indemnification, or contribution, whether certain or speculative, which may have at any time prior hereto come into existence or which may be brought in the future in connection with any acts or omissions which have arisen at any time prior to the date of execution of this Agreement, including, but not limited to, any and all claims Employee has or may have relating to, or arising out of the employment of Employee by Company, including but not limited to any claims by Employee for breach of employment contract, or unpaid wages, any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, or that Employee has been wrongfully terminated by Company, including any claim for harassment or discrimination, discharge in violation of public policy and/or violation of any state and federal laws, including without limitation, the *Americans With Disabilities Act*, *Title VII Of The Civil Rights Act Of 1964*, as amended, the *Fair Labor Standards Acts*, as amended, the *National Labor Relations Act*, as amended, the *Labor-Management Relations Act*, as amended, the *Worker Adjustment And Retraining Notification Act Of 1988*, as amended, the *Rehabilitation Act Of 1973*, as amended, the *Equal Pay Act*, the *Employee Retirement Income Security Act Of 1974*, as amended, the *Family Medical Leave Act Of 1993*, as amended, the *Age Discrimination in Employment Act*, the *Older Workers Benefit Protection Act*, x the *Civil Rights Act of 1991*, Sections 1981 through 1988 of Title 42 of the United States Code, as amended, the *Immigration Reform and Control Act*, as amended, the *Occupational Safety and Health Act*, as amended, all California state civil rights, employment and wage and hour laws, including those pertaining to overtime pay, timely payment of compensation, meal and rest period pay, and penalties and interest upon late or unpaid compensation; the California *Equal Pay Law*, as amended; the California *Unruh Act*, as amended, the California *Smokers' Rights Law*, as amended; any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters, and any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance, including any applicable contract, tort, constitutional or common law based claims that Employee has or may have as of the date of execution of this Agreement, including but not limited to, any applicable California state laws governing employee and employer rights and obligations.
- (b) However, the release set forth in this section excludes, and the Employee does not waive, release, or discharge: (i) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing or other similar federal or state administrative agencies, although the Employee waives monetary relief related to such a charge or administrative complaint; (ii) claims which cannot be waived by law; (iii) indemnification rights the Employee has against the Company; (iv) claims for coverage under any D&O or other similar insurance policy and (v) any rights to vested benefits, such as pension or retirement benefits.
- (c) The Company and Employee agree that the release set forth in this section shall be and remain in effect in all respects as a complete and general release as to the matters released. This release does not extend to any obligations incurred under the Agreement.
- (d) The Company expressly waives and releases any and all claims against the Employee that may be waived and released by law with the exception of claims arising out of or attributable to (a) events, acts or omissions taking place after the Parties' execution of this Agreement; (b) the Employee's breach of any terms and conditions of this Agreement; and (c) the Employee's criminal activities or intentional misconduct occurring during the Employee's employment with the Company.

5. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payment of any sums to Employee under the terms of the Agreement. Employee agrees and understands that he is responsible for payment, if any, of local, state and/or federal taxes on the sums paid hereunder by the Company or as a result of equity grants being accelerated in accordance with Section 2(c) hereof and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of Employee's failure to pay federal or state taxes or damages sustained by the Company by reason of any such claims.

6. Resignation from Boards and Committees. In accord with Section 5.9 of the Employment Agreement signed by Employee and the Company, effective November 30, 2016, a copy of which is attached hereto as **Exhibit A** (the "Employment Agreement"), Employee is required to immediately resign from (i) each and every board of directors (or similar body as the case may be) of the Company and each of its affiliates on which Employee may be serving, including but not limited to, the Board (and any committees thereof), and (ii) each and every office of the Company and each of its affiliates that Employee may hold, and all positions that Employee has previously held with the Company and any of its affiliates.

7. Anti-Solicitation. In accord with Section 9 of the Employment Agreement, Employee agrees that he will not, for a period of two (2) years after the Termination Date use the Company's confidential information to, directly or indirectly, individually or as a consultant to or as an employee, officer, shareholder, director or other owner or participant in any business, influence or attempt to influence the customers, vendors, suppliers, joint ventures, associates, consultants, agents or partners of any entity within the Company Group (as defined in the Employment Agreement), either directly or indirectly, to divert their business away from the Company Group, to any individual, partnership, firm, corporation or other entity then in competition with the business of any entity within the Company Group and he will not otherwise materially interview with any business relationship of any entity within the Company Group.

8. Nondisclosure of Confidential and Proprietary Information. Employee agrees that, regardless of the termination of his employment from the Company he shall continue to maintain the confidentiality of all confidential and proprietary information of the Company as provided in Section 7 of the Employment Agreement.

Employee agrees that at all times hereafter, he shall not intentionally divulge, furnish or make available to any party any of the trade secrets, patents, patent applications, price decisions or determinations, inventions, customers, proprietary information or other intellectual property rights of the Company, until after such time as such information has become publicly known otherwise than by act of collusion of Employee. Employee further agrees that he has and will take all reasonably necessary steps to ensure that he does not unintentionally divulge, furnish or make available any of the Company's confidential and proprietary information described above.

Employee further agrees that at all times hereafter, he shall not use any of the Company's confidential and proprietary information to solicit any of the Company's current customers.

Nothing in this confidentiality provision prohibits or restricts the Employee (or Employee's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any other federal or state regulatory authority regarding this settlement or its underlying facts or circumstances or in connection with reporting a possible securities law violation.

Furthermore, nothing in this Agreement shall prohibit or is intended to interfere with the exercise of Employee's rights under Section 7 of the National Labor Relations Act (NLRA).

9. Return of Company Property. Employee acknowledges and agrees that all files, accounts, records, materials, documents, drawings, sketches, designs, diagrams, models, blueprints, plans, specifications, manuals, books, forms, receipts, notes, reports, memoranda, studies, data, calculations, recordings, catalogues, compilations of information, correspondence, in any form, including, but not limited to, paper and electronic form, and all copies, abstracts and summaries of the foregoing, instruments, tools and equipment and all other physical items, whether of a public nature or not, and whether prepared by Employee or not, shall remain the sole and exclusive property of the Company and have not and shall not be removed from the premises of the Company and if so, have properly been returned to the Company by the Termination Date. Employee further agrees that he has promptly surrendered and delivered to the Company all the foregoing property, and Employee will not take with him any description containing or pertaining to any confidential and proprietary information which he made, produced or came into possession of during the course of his employment with the Company.

10. Non-Solicitation of Employees. In accord with Section 10 of the Employment Agreement, Employee agrees that he will not for one (1) year after the Termination Date, directly or indirectly, individually or as a consultant to, or as an employee, officer, shareholder, director, or other owner of or participant in any business, solicit (or assist in soliciting) any person who is then, or at any time within six (6) months prior thereto, was an employee of any entity within the Company Group, who earned annually \$25,000 or more as an employee of such entity during the last six (6) months of his or her own employment to work for (as an employee, consultant or otherwise) any business, individual, partnership, firm, corporation, or other entity whether or not engaged in competitive business with any entity in the Company Group.

11. Cooperation.

- (a) Employee agrees that he will cooperate in a smooth transition of his termination, including but not limited to signing any documents required to grant access to bank accounts of the Company, amend passwords to accounts held by the Company, forms required by various state and federal agencies related to the management of the Company.
- (b) In accord with Section 13 of the Employment Agreement, Employee agrees that he will reasonably cooperate with the Company, subject to his reasonable personal and business schedules, in any litigation which arises out of events occurring prior to the Termination Date, including, but not limited to, serving as a witness or consultant, and will produce documents and information relevant to the case or helpful to the Company. The Company agrees to reimburse Employee for all reasonable costs and expenses he incurs in connection with his obligations under this section and, in addition, to reasonably compensate Employee for time actually spent in connection therewith following the termination of his employment with the Company.

12. Non-Disparagement. Employee agrees to refrain from any defamation, slander, or tortious interference with the contracts and relationships of the Company, whether in writing, verbally or electronically, including any references to the Company on any social media site which could be construed as casting the Company in a negative light.

The Company agree to refrain from any defamation, slander, or tortious interference with the contracts and relationships of the Employee, whether in writing, verbally or electronically, including any references to the Employee on any social media site which could be construed as casting the Employee in a negative light.

Employee further agrees to refrain from communications with or disparagement to any regulatory agency about the Company, including, but not limited to, lodging complaints about the Company or offering any testimony or evidence against the Company in any legal or administrative action unless compelled to do so under the authority of law.

13. Breach of the Agreement. Employee acknowledges that in the event of a breach of the confidential and proprietary information provision contained in Section 8 of the Agreement, damages would not be an adequate remedy to compensate the Company for the losses suffered as a result of the breach and that the Company would sustain irreparable harm from such breach. Therefore, Employee agrees that in addition to any other remedies which the Company may have under the Agreement or otherwise, the Company shall be entitled to obtain equitable relief, including specific performance and injunctions, such as a Temporary Restraining Order, to restrain Employee from committing or continuing any such violation of the Agreement without the necessity of proving actual damages or to require Employee to post any bond or other undertaking in connection with any such action. Nothing in this section shall be construed to limit the damages otherwise recoverable by the Company in any such event. Employee acknowledges and agrees that upon Employee's material or intentional breach of any of the provisions of the Agreement (including Section 8) and following written notice of such breach by the Company to Employee and an opportunity to cure such breach within five (5) business days where such breach may be cured, in addition to any other remedies the Company may have, the Company's obligations to provide payment pursuant to this Agreement to Employee immediately terminate.

The Company also reserves the right to inform any Person, and the principals of any such Person, that the Company reasonably believes to be receiving or to be contemplating receiving from Employee any assistance of confidential and proprietary information in violation of this section, and of the rights of the Company under this section and/or the confidentiality provision of the Employment Agreement attached hereto as **Exhibit A**, that participation by such Person and Employee in activities in violation of this section and/or **Exhibit A** may give rise to claims by the Company against such Person.

14. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of the Agreement. Employee represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through the Employee to bind them to the terms and conditions of the Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

- 15. No Representations.** Each party represents that it/he has carefully read and understands the scope and effect of the provisions of the Agreement. Neither party has relied upon any representations or statements made by the other party which are not specifically set forth in the Agreement.
- 16. Costs.** The Parties shall each bear their own costs, attorneys' fees and other fees incurred in connection with the execution of the Agreement.
- 17. Severability.** In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, the Agreement shall continue in full force and effect without said provision.
- 18. Entire Agreement.** The Agreement and all exhibits/attachments represent the entire agreement and understanding between the Parties concerning Employee's separation from the Company.
- 19. Oral Modification.** The Agreement may only be amended in a writing signed by Employee and an authorized officer of the Company.
- 20. Governing Law.** The Agreement shall be governed by the laws of the State of California.
- 21. Effective Date.** This Agreement shall be effective upon signing by both Parties. The "Effective Date" is the latest date any Party signs this Agreement.
- 22. Counterparts.** The Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.
- 23. Assignment.** The Agreement may not be assigned by Employee or the Company without the prior written consent of the other party. Notwithstanding the foregoing, the Agreement may be assigned by the Company to a corporation controlling, controlled by or under common control with the Company without the consent of Employee.
- 24. Arbitration.** The Parties agree that any and all claims arising out this Agreement shall be subject to the provisions of Section 14(i) of the Employment Agreement, the terms of which are fully incorporated herein and attached as **Exhibit A**.
- 25. Voluntary Execution of Agreement.** The Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:
- (a) They have read the Agreement;
 - (b) They have been represented in the preparation, negotiation and execution of the Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;
 - (c) They understand the terms and consequences of the Agreement and of the releases it contains; and
 - (d) They are fully aware of the legal and binding effect of the Agreement.
- 26. Reserved.**

27. Notice Requirements: Each notice provided for under this Agreement (“Notice”), must comply with the requirements as set forth in this Section 27. Each Notice shall be in writing and sent by facsimile or depositing it with a nationally recognized overnight courier service that obtains receipts (such as Federal Express or UPS Next Day Air), addressed to the appropriate party (and marked to a particular individual’s attention, if so indicated) as hereinafter provided. Each Notice shall be effective upon being so telecopied or deposited, but the time period in which a response to any notice must be given or any action taken with respect thereto shall commence to run from the date of receipt of the Notice by the addressee thereof, as evidenced by the return receipt. Rejection or other refusal by the addressee to accept or the inability to deliver because of a changed address of which no Notice was given shall be deemed to be the receipt of the Notice sent. Any party shall have the right from time to time to change the address or individual’s attention to which notices to it shall be sent by giving to the other party at least ten (10) calendar days prior Notice thereof. The Parties’ addresses for providing Notices hereunder shall be as follows:

Chief Executive Officer
Sonoma Pharmaceuticals, Inc.
1129 N. McDowell Blvd.
Petaluma, CA 94954
Direct Line 707-559-7381
Fax 415-462-5182
vcovel@sonomapharma.com

Robert E. Miller
At the address on file with the Company

[Signature page follows]

HAVING ELECTED TO EXECUTE THIS AGREEMENT, TO FULFILL THE PROMISES AND TO RECEIVE THE BENEFITS IN SECTION 2 ABOVE, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT INTENDING TO WAIVE, SETTLE, AND RELEASE ALL CLAIMS HE HAS OR MIGHT HAVE AGAINST SONOMA PHARMACEUTICALS, INC.

EMPLOYEE:

/s/ Robert E. Miller

Robert E. Miller
Print Name

Dated: _____

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND TO FULFILL THE PROMISES AND TO RECEIVE THE BENEFITS SET FORTH ABOVE, COMPANY, BY AND THROUGH ITS AUTHORIZED REPRESENTATIVE, FREELY AND KNOWINGLY, ENTERS INTO THIS AGREEMENT.

SONOMA PHARMACEUTICALS, INC.

/s/ Jerry McLaughlin

Jerry McLaughlin
Print Name

Dated: December 12, 2018

Victoria Covell
Assistant Controller
Sonoma Pharmaceuticals, Inc.
1129 North McDowell Blvd
Petaluma, CA 94954

Re: Separation Agreement and Mutual Release

Dear Ms. Lunn:

On December 13, 2018 I executed a Separation Agreement and Mutual Release between Sonoma Pharmaceuticals, Inc. and me. I was advised by Sonoma Pharmaceuticals, Inc., in writing, to consult with an attorney of my choosing prior to executing this Separation Agreement and Mutual Release.

I have been advised that I have seven (7) calendar days to formerly revoke my acceptance of the above-mentioned Separation Agreement and Mutual Release. Per this correspondence, which I am personally delivering to Victoria Covell, Assistant Controller, at the Company, by overnight mail or facsimile, and which is postmarked within seven (7) calendar days after my execution of this Agreement, I hereby revoke my acceptance or execution of that Separation Agreement and Mutual Release. Therefore, in accordance with the terms of the Separation Agreement and Mutual Release, I withdraw any claim for payment by the Company of the monies described in Section 2(a) of that Agreement.

Very truly yours,

Signature

Print Name

Dated: _____

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into by and between Frederick Sandford (the "Executive"), and Sonoma Pharmaceuticals, Inc., a Delaware corporation (the "Corporation"), as of December 11, 2018 (the "Effective Date").

1. Employment and Duties.

1.1 Position. On the terms and subject to the conditions set forth herein, the Corporation agrees to employ Executive as its President and Chief Executive Officer and interim Chief Financial Officer until such time as the employment relationship ends or is terminated by either Party pursuant to *Section 2*. Executive does hereby accept and agree to such employment, on the terms and conditions expressly set forth in this Agreement. Executive shall, if requested, also serve as a member of the Board of Directors of the Corporation (the "Board") and may be required to serve as an officer or director of any affiliate of the Corporation for no additional compensation.

1.2 Duties. During the Term of Employment (as defined in *Section 2*), Executive shall serve the Corporation as its President and Chief Executive Officer and interim Chief Financial Officer. Executive shall, without limitation and without limiting Executive's other duties to the Corporation, and without limiting the authority of the Corporation's Board of Directors, be responsible for the general supervision, direction and control of the business and affairs of the Corporation and have such other duties and responsibilities as the Board shall designate that are consistent with Executive's position as President and Chief Executive Officer and interim Chief Financial Officer of the Corporation. Executive shall perform all of such duties and responsibilities in accordance with the legal directives of the Board and in accordance with the practices and policies of the Corporation as in effect from time to time throughout the Term of Employment (including, without limitation, the Corporation's insider trading and ethics policies, as they may change from time to time). While employed as President and Chief Executive Officer and interim Chief Financial Officer of the Corporation, Executive shall report exclusively to the Board. Throughout the Term of Employment, Executive shall not serve on the boards of directors or advisory boards of any other entity, except for any wholly or majority owned subsidiaries of the Corporation, unless such service is expressly approved by the Board.

1.3 No Other Employment; Minimum Time Commitment. Throughout the Term of Employment, Executive shall both (i) devote substantially all of Executive's business time, energy and skill to the performance of the Executive's duties for the Corporation, and (ii) hold no other job. Executive agrees that any investment or direct involvement in, or any appointment to or continuing service on the board of directors or similar body of, any corporation or other entity, other than wholly or majority owned subsidiaries of the Corporation, must be first approved in writing by the Corporation. The foregoing provisions of this *Section 1.3* shall not prevent Executive from investing in non-competitive, publicly-traded securities to the extent permitted by *Section 6(b)*.

1.4 No Breach of Contract. Executive hereby represents to the Corporation that: (i) the execution and delivery of this Agreement by the Executive and the Corporation and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound; (ii) the Executive has no information (including, without limitation, confidential information and trade secrets) of any other person or entity which the Executive is not legally and contractually free to disclose to the Corporation; and (iii) the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this Agreement) with any other person or entity.

1.5 Place of Performance. The principal place of Executive's employment shall be the Corporation's principal executive offices, currently located in Petaluma, California, though such principal place of employment of the Executive may be moved from time to time upon mutual agreement by the Executive and the Corporation. The Executive agrees that the Executive will be regularly present at the Corporation's principal executive offices, or such other location as the parties may designate, and that the Executive may be required to travel from time to time in the course of performing the Executive's duties for the Corporation. The Corporation acknowledges that Executive's principal place of residence is and will remain during the Term of Employment, Boston, MA.

2. At-Will Employment, Term of Employment. The "Term of Employment" shall commence on the Effective Date, and shall continue in full force and effect until the earlier of completion of nine months from the Effective Date or the Termination Date pursuant to *Section 5.4*, and may be extended by another three months by mutual agreement of both Parties. The Parties agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without cause or notice. This Agreement shall govern the terms of Executive's employment hereunder on and after the Effective Date.

3. Compensation.

3.1 Base Salary. As of the Effective Date and during the Term of Employment, the Corporation shall pay to the Executive a base salary at the rate of \$350,000 per year, subject to increase (but not decrease) by the Board (the "Base Salary"). The Executive's Base Salary shall be paid in accordance with the Corporation's regular payroll practices in effect from time to time, but no less frequently than monthly.

3.2 One-Time Bonus. Executive shall be eligible for a one-time lump-sum bonus of no more than \$210,000 payable in accordance with the parameters determined by the Corporation's Board of Directors in a separate bonus plan. The Board shall act in good faith with respect to its considerations and determinations required by this Section 3.2.

3.3 Equity Grant. Executive shall receive an inducement grant of options to purchase up to 450,000 of the Company's common stock which will be as soon as possible after the Effective Date of this Agreement. Such grant will be, subject to a six-months vesting period and the exercise price will be the closing price of the Company's common stock on the day of the grant.

3.4 Indemnification. (a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than any Proceeding initiated by the Executive or the Corporation related to any contest or dispute between the Executive and the Corporation or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Corporation, or any affiliate of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, the Executive shall be indemnified and held harmless by the Corporation to the maximum extent permitted under applicable law and the Corporation's articles and bylaws, as may be amended from time to time, from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees).

(b) During the Term of Employment and for a period of six (6) years thereafter, the Corporation or any successor to the Corporation shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Corporation.

3.5 Clawback Provisions. Any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Corporation which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Corporation pursuant to any such law, government regulation or stock exchange listing requirement). The Corporation will make any determination for clawback or recovery in accordance with any applicable law or regulation.

4. Benefits.

4.1 Health and Welfare. During the Term of Employment, the Executive shall be entitled to participate in all employee pension and welfare benefit plans and programs made available by the Corporation to the Corporation's senior-level employees generally, as such plans or programs may be in effect from time to time.

4.2 Reimbursement of Business Expenses. The Executive is authorized to incur reasonable expenses in carrying out the Executive's duties for the Corporation under this Agreement and entitled to reimbursement for all such expenses the Executive incurs during the Term of Employment in connection with carrying out the Executive's duties for the Corporation up to a maximum amount of \$15,000 per month, subject to the Corporation's reasonable expense reimbursement policies in effect from time to time. Such expenses may include but are not limited to travel, lodging and meals. The Corporation shall reimburse the Executive to the extent required by the preceding sentence.

4.3 Vacation and Other Leave. During the Term of Employment, the Executive shall accrue and be entitled to take paid vacation of 4 weeks per annum pro-rated in accordance with the Corporation's standard vacation policies in effect from time to time, including the Corporation's policies regarding vacation accruals. The Executive shall also be entitled to all other holiday and leave pay generally available to all other employees of the Corporation.

5. Termination.

The Term of Employment and Executive's employment hereunder may be terminated by either the Corporation or Executive at any time and for any reason, for or without cause, for or without good reason, or upon Death or Disability; provided that, unless otherwise provided herein, either party shall be required to give the other party advance written notice of any termination of the Executive's employment in accordance with *Sections 5.3* and *5.4*. Upon termination of Executive's employment during the Term of Employment, Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to the Accrued Amounts and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates. All outstanding equity awards shall remain exercisable for the period of one (1) year from the Termination Date. Notwithstanding any other provision contained herein, all payments made in connection with Executive's Disability shall be provided in a manner which is consistent with federal and state law. The Corporation may deduct, from all payments made hereunder, all applicable taxes and other appropriate deductions.

5.1 Definitions. For purposes of this Agreement:

(a) "Accrued Amounts" shall mean:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid in the next regularly scheduled payroll following one (1) week after the Termination Date (as defined below);

(ii) any accrued but unpaid bonus pursuant to Section 3.2 which shall be paid in the next regularly scheduled payroll following one (1) week after the Termination Date (as defined below); and

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Corporation's expense reimbursement policy.

(b) "Disability" shall mean the Executive's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this Agreement, with or without reasonable accommodation, for 90 calendar days out of any three hundred sixty-five (365) calendar day period, but only if the Executive is considered disabled within the meaning of Treasury Regulation section 1.409A-3(i)(4). Without limiting the circumstances in which the Executive may be determined to be disabled as defined in Treasury Regulation section 1.409A-3(i)(4), the Executive will be presumed to be disabled if determined to be totally disabled by the Social Security Administration or if determined to be disabled in accordance with a disability insurance program, provided the definition of disability applied under such disability insurance program complies with the requirements of Treasury Regulation section 1.409A-3(i)(4). Any question as to the existence of the Executive's Disability as to which the Executive and the Corporation cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Corporation. If the Executive and the Corporation cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Corporation and the Executive shall be final and conclusive for all purposes of this Agreement.

5.2 Release; Exclusive Remedy.

(a) The Executive agrees that the payments contemplated by *Section 5* shall constitute the exclusive and sole remedy for any termination of his employment and the Executive covenants not to assert or to pursue any other remedies, at law or in equity, with respect to any termination of employment. The Corporation and Executive acknowledge and agree that there is no duty of the Executive to mitigate damages under this Agreement. All amounts paid to the Executive pursuant to *Section 5* shall be paid without regard to whether the Executive has taken or takes actions to mitigate damages.

(b) As used herein, "Release" shall mean a written release, discharge and covenant not to sue entered into by the Executive in favor of the Corporation in the form as in Exhibit A hereto.

5.3 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Term of Employment (other than termination on account of the Executive's death) shall be communicated by written notice of termination (the "Notice of Termination") to the other party hereto in accordance with *Section 14(j)*. Such Notice of Termination shall be given by the Company no later than 30 calendar days prior to the termination and by Executive no later than 60 calendar days prior to the termination. The Notice of Termination shall specify:

- (a) The termination provision of this Agreement relied upon;
- (b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated; and
- (c) The applicable Termination Date.

5.4 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability; or
- (c) If the Corporation terminates the Executive's employment hereunder for any other reason, the date specified in the Notice of Termination which shall be no less than 10 calendar days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a Separation from Service within the meaning of Section 409A.

5.5 Resignation From Boards and Committees. After expiration of six months following any termination of Executive's employment as Chief Executive Officer with the Corporation, Executive agrees to resign, as of the date of such termination, from (i) each and every board of directors (or similar body, as the case may be) of the Corporation and each of its affiliates on which Executive may then serve, including, but not limited to, the Board (and any committees thereof), and (ii) each and every office of the Corporation and each of its affiliates that the Executive may then hold, and all positions that he may have previously held with the Corporation and any of its affiliates.

5.6 Section 409A of the Internal Revenue Code.

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986 ("Section 409A") and shall be construed and interpreted consistent with that intent. In the event that any payment or benefit payable under *Section 5* of this Agreement is not compliant with Section 409A and any taxes, penalties or interest are imposed on the Executive under Section 409A as a result of such noncompliance (the "Section 409A Penalties"), the Corporation shall put the Executive in an after-tax economic position equivalent to the position the Executive would have been in without the imposition of such Section 409A Penalties. Executive shall notify the Corporation in writing of any claim by the Internal Revenue Service or state tax authorities that, if successful, would require the payment of any such Section 409A Penalties or related state tax statutes. Executive's right to be put in an equivalent after tax economic position is subject to the Executive providing such notification no later than ten (10) business days after Executive is informed in writing of such claim. If the Corporation desires to contest such claim, Executive shall (i) cooperate with the Corporation in good faith in order to effectively contest such claim and (ii) permit the Corporation to participate in any proceedings relating to such claim. The Corporation shall control all proceedings taken in connection with such contest; provided, however, that the Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest. This section shall also apply to any taxes, penalties, or interest imposed by any state that are calculated in a manner similar to taxes, penalties, or interest imposed by Section 409A(a)(1)(B), including those amounts imposed by the California Revenue and Taxation Code (R&TC) Sections 17501 and 24601.

(b) If and to the extent that any payment or benefit under this Agreement, or any plan or arrangement of the Corporation, is determined by the Corporation to constitute "non-qualified deferred compensation" subject to Section 409A and is payable to the Executive by reason of the Executive's termination of employment, then (a) such payment or benefit shall be made or provided to the Executive only upon a "separation from service" as defined for purposes of Section 409A under applicable regulations (a "Separation from Service") and (b) if the Executive is a "specified employee" (within the meaning of Section 409A and as determined by the Corporation), such payment or benefit shall not be made or provided before the date that is six (6) months after the date of the Executive's Separation from Service (or the Executive's earlier death). For the purposes of clarity, the first payment thereof will include a catch-up payment covering the amount that would have otherwise been paid to the Executive during the period between the termination of Executive's employment and the first payment date but for the application of this provision, and the balance of the installments (if any) will be payable in accordance with their original schedule.

(c) To the extent any expense reimbursement or in-kind benefit is determined to be subject to Section 409A, the amount of any such expenses eligible for reimbursement or in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits provided in any other taxable year (except under any lifetime limit applicable to expenses for medical care), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which the Executive incurred such expenses, and in no event shall any right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

(d) To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder comply with Section 409A. To the extent any payment under this Agreement may be classified as a “short-term deferral” within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

6. Non-Competition.

Executive acknowledges and recognizes the highly competitive nature of the businesses of the Corporation, the amount of sensitive and confidential information involved in the discharge of Executive’s position with the Corporation, and the harm to the Corporation that would result if such knowledge or expertise was disclosed or made available to a competitor. Based on that understanding, Executive hereby expressly agrees as follows:

(a) As a result of the particular nature of Executive’s relationship with the Corporation, in the capacities identified earlier in this Agreement, for the Term of Employment, Executive hereby agrees that he will not, directly or indirectly, (i) engage in any business for the Executive’s own account or otherwise derive any personal benefit from any business that competes with the business of the Corporation or any of its affiliates (the Corporation and its affiliates are referred to, collectively, as the “Company Group”), (ii) enter the employ of, or render any services to, any person engaged in any business that competes with the business of any entity within the Company Group, (iii) acquire a financial interest in any person engaged in any business that competes with the business of any entity within the Company Group, directly or indirectly, as an individual, partner, member, shareholder, officer, director, principal, agent, trustee or consultant, or (iv) interfere with business relationships (whether formed before or after the Effective Date) between the Corporation, any of its respective affiliates or subsidiaries, and any customers, suppliers, officers, employees, partners, members or investors of any entity within the Company Group. For purposes of this Agreement, businesses in competition with the Company Group shall include, without limitation, businesses which any entity within the Company Group may conduct operations, and any businesses which any entity within the Company Group has specific plans to conduct operations in the future and as to which the Executive is aware of such planning, whether or not such businesses have or have not as of that date commenced operations.

(b) Notwithstanding anything to the contrary in this Agreement, Executive may, directly or indirectly, own, solely as an investment, securities of any Person, other than a business that competes with the business of the Company Group, which are publicly traded on a national or regional stock exchange or on the over-the-counter market if the Executive (i) is not a controlling Person of, or a member of a group that controls, such Person, and (ii) does not, directly or indirectly, beneficially own one percent (1%) or more of any class of securities of such Person. Executive may indirectly, through a mutual or exchange traded fund, own, solely as an investment, securities of a business that competes with the business of the Company Group, which are publicly traded on a national or regional stock exchange or on the over-the-counter market if the Executive (i) is not a controlling Person of, or a member of a group that controls, such Person, and (ii) does not, directly or indirectly, beneficially own one percent (1%) or more of any class of securities of such business. For purposes of this *Section 6(b)*, “Person” shall have the meaning ascribed to such terms in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as described in Section 13(d) thereof.

7. Confidential Information.

As a material part of the consideration for the Corporation’s commitment to the terms of this Agreement, Executive hereby agrees that Executive will not at any time (whether during or after Executive’s employment with the Corporation), other than in the course of Executive’s duties hereunder, or unless compelled by lawful process after written notice to the Corporation of such notice along with sufficient time for the Corporation to try and overturn such lawful process, disclose or use for Executive’s own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, financing methods, or plans of any entity within the Company Group; provided, however, that the foregoing shall not apply to information which is generally known to the industry or the public, other than as a result of the Executive’s breach of this covenant. Executive further agrees that Executive will not retain or use for his own account, at any time, any trade names, trademark or other proprietary business designation used or owned in connection with the business of any entity within the Company Group.

8. Proprietary Rights.

(a) Inventions. All inventions, policies, systems, developments or improvements conceived, designed, implemented and/or made by Executive, either alone or in conjunction with others, at any time or at any place during the Term of Employment, whether or not reduced to writing or practice during such Term of Employment, which directly or indirectly relate to the business of any entity within the Company Group, or which were developed or made in whole or in part using the facilities and/or capital of any entity within the Company Group, shall be the sole and exclusive property of the Company Group. Executive shall promptly give notice to the Corporation of any such invention, development, patent or improvement, and shall at the same time, without the need for any request by any person or entity within the Company Group, assign all of Executive's rights to such invention, development, patent and/or improvement to the Company Group. Executive shall sign all instruments necessary for the filing and prosecution of any applications for, or extensions or renewals of, letters patent of the United States or any foreign country that any entity in the Company Group desires to file.

(b) Work Product. Executive acknowledges and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by the Executive individually or jointly with others during the Term of Employment by the Corporation and relating in any way to the business or contemplated business, research or development of the Corporation (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "Work Product"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "Intellectual Property Rights"), shall be the sole and exclusive property of the Corporation.

For purposes of this Agreement, Work Product includes, but is not limited to, Company Group information, including plans, publications, research, strategies, techniques, agreements, documents, contracts, terms of agreements, negotiations, know-how, computer programs, computer applications, software design, web design, work in process, databases, manuals, results, developments, reports, graphics, drawings, sketches, market studies, formulae, notes, communications, algorithms, product plans, product designs, styles, models, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, client information, customer lists, client lists, manufacturing information, marketing information, advertising information, and sales information.

(c) Work Made for Hire; Assignment. All copyrightable work by Executive during the Term of Employment that relates to the business of any entity in the Company Group is intended to be "work made for hire" as defined in Section 101 of the Copyright Act of 1976, and shall be the property of the Company Group. If the copyright to any such copyrightable work is not the property of the Company Group by operation of the law, Executive will, without further consideration, assign to the Company Group all right, title and interest in such copyrightable work and will assist the entities in the Company Group and their nominees in every way, at the Company Group's expense, to secure, maintain and defend for the Company Group's benefit, copyrights and any extensions and renewals thereof on any and all such work including translations thereof in any and all countries, such work to be and to remain the property of the Company Group whether copyrighted or not.

(d) Further Assurances; Power of Attorney. During and after the Term of Employment, Executive agrees to reasonably cooperate with the Corporation to (i) apply for, obtain, perfect and transfer to the Company Group the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world; and (ii) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Corporation any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Corporation. Executive hereby irrevocably grants the Corporation power of attorney to execute and deliver any such documents on Executive's behalf in the Executive's name and to do all other lawfully permitted acts to transfer the Work Product to the Corporation and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if Executive does not promptly cooperate with the Corporation's request (without limiting the rights the Corporation shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by Executive's subsequent incapacity.

(e) No License. Executive understands that this Agreement does not, and shall not be construed to, grant the Executive any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software or other tools made available to the Executive by the Corporation.

9. Anti-Solicitation.

In light of the amount of sensitive and confidential information involved in the discharge of Executive's duties, and the harm to the Corporation that would result if such knowledge or expertise were disclosed or made available to a competitor, and as a reasonable step to help protect the confidentiality of such information, Executive promises and agrees that during the Term of Employment and for a period of two (2) years thereafter, Executive will not use the Company's confidential information to, directly or indirectly, individually or as a consultant to, or as an employee, officer, shareholder, director or other owner or participant in any business, influence or attempt to influence the customers, vendors, suppliers, joint venturers, associates, consultants, agents, or partners of any entity within the Company Group, either directly or indirectly, to divert their business away from the Company Group, to any individual, partnership, firm, corporation or other entity then in competition with the business of any entity within the Company Group, and he will not otherwise materially interfere with any business relationship of any entity within the Company Group.

10. Non-Solicitation of Employees.

In light of the amount of sensitive and confidential information involved in the discharge of Executive's duties, and the harm to the Corporation that would result if such knowledge or expertise were disclosed or made available to a competitor, and as a reasonable step to help protect the confidentiality of such information, Executive promises and agrees that during the Term of Employment and for a period of one (1) year thereafter, Executive will not, directly or indirectly, individually or as a consultant to, or as an employee, officer, shareholder, director, or other owner of or participant in any business, solicit (or assist in soliciting) any person who is then, or at any time within six (6) months prior thereto was, an employee of an entity within the Company Group, who earned annually \$25,000 or more as an employee of such entity during the last six (6) months of his or her own employment to work for (as an employee, consultant or otherwise) any business, individual, partnership, firm, corporation, or other entity whether or not engaged in competitive business with any entity in the Company Group.

11. Return of Property.

Executive agrees to truthfully and faithfully account for and deliver to the Corporation all property belonging to the Corporation, any other entity in the Company Group, or any of their respective affiliates, which Executive may receive from or on account of the Corporation, any other entity in the Company Group, or any of their respective affiliates, and upon the termination of the Term of Employment, or the Corporation's demand, Executive shall immediately deliver to the Corporation all such property belonging to the Corporation, any other entity in the Company Group, or any of their respective affiliates.

12. Withholding Taxes.

Notwithstanding anything else herein to the contrary, the Corporation may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such federal, state and local income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. Cooperation in Litigation.

Executive agrees that, during the Term of Employment or after the termination of Executive's employment, he will reasonably cooperate with the Corporation, subject to his reasonable personal and business schedules, in any litigation which arises out of events occurring prior to the termination of his employment, including but not limited to, serving as a witness or consultant and producing documents and information relevant to the case or helpful to the Corporation. The Corporation agrees to reimburse Executive for all reasonable costs and expenses he incurs in connection with his obligations under this *Section 13* and, in addition, to reasonably compensate Executive for time actually spent in connection therewith following the termination of his employment with the Corporation.

14. Miscellaneous.

(a) Assignment. This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Corporation with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Corporation hereunder.

(b) Number and Gender. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

(c) Section Headings. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purposes of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

(d) Governing Law. This Agreement, and all questions relating to its validity, interpretation, performance and enforcement, as well as the legal relations hereby created between the parties hereto, shall be governed by and construed under, and interpreted and enforced in accordance with, the laws of the State of California, notwithstanding any California or other conflict of law provision to the contrary. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. Any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the state of California, Sonoma county. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

(e) Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

(f) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein.

(g) Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a formal definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

(h) Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

(i) Resolution of Disputes.

(i) Any controversy arising out of or relating to Executive's employment (whether or not before or after the expiration of the Term of Employment), any termination of Executive's employment, this Agreement or the enforcement or interpretation of this Agreement, or because of an alleged breach, default, or misrepresentation in connection with any of the provisions of this Agreement, including (without limitation) any state or federal statutory claims, shall be submitted to arbitration in Santa Rosa, California, before a sole arbitrator (the "Arbitrator") selected from the American Arbitration Association ("AAA"), and shall be conducted in accordance with the provisions of California Code of Civil Procedure §§ 1280 et seq. as the exclusive remedy of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the Arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief that the Arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

(ii) The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence of *Section 14(i)(i)*.

(iii) The parties agree that the Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the Arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, the prevailing party will be entitled to recover its reasonable attorney's fees and costs from the non-prevailing party (other than forum costs associated with the arbitration which in any event shall be paid by the Corporation).

(iv) Without limiting the remedies available to the parties and notwithstanding the foregoing provisions of this *Section 14*, the Executive and the Corporation acknowledge that any breach of any of the covenants or provisions contained in *Sections 5.9*, and *Sections 6* through *11* could result in irreparable injury to either of the parties hereto for which there might be no adequate remedy at law, and that, in the event of such a breach or threat thereof, the non-breaching party shall be entitled to obtain a temporary restraining order and/or a preliminary injunction and a permanent injunction restraining the other party hereto from engaging in any activities prohibited by any covenant or provision in *Sections 5.9*, and *Sections 6* through *11* or such other equitable relief as may be required to enforce specifically any of the covenants or provisions of *Sections 5.9*, and *Sections 6* through *11*.

(j) Publicity.

Executive hereby irrevocably consents during the term of this Agreement to any and all uses and displays, by the Company Group and its agents, representatives and licensees, of Executive's name, voice, likeness, image, appearance and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes and all other printed and electronic forms and media throughout the world, at any time during or after the period of his employment by the Company, for all legitimate commercial and business purposes of the Company Group ("Permitted Uses") without further consent from or royalty, payment or other compensation to the Executive. The Executive hereby forever waives and releases the Company Group and its directors, officers, employees and agents from any and all claims, actions, damages, losses, costs, expenses and liability of any kind, arising under any legal or equitable theory whatsoever at any time during or after the period of his employment by the Company, arising directly or indirectly from the Company Group's and its agents', representatives' and licensees' exercise of their rights in connection with any Permitted Uses. At the end of the term of this Agreement, the Company shall have no obligation to remove any previously-published displays described in this paragraph.

(k) Notices.

(i) All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly received if (i) delivered by hand or by courier, effective upon delivery, (ii) given by facsimile or electronic version, when transmitted if transmitted on a business day and during normal business hours of the recipient, and otherwise delivered on the next business day following transmission, or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, 5 business days after being deposited in the U.S. postal mail. Any notice shall be duly addressed to the parties as follows:

(i) If to the Corporation:

Sonoma Pharmaceuticals, Inc.
Lead Independent Director of the Board or any Independent Director
1129 North McDowell Boulevard
Petaluma, California 94954
Fax: +1 (707) 283-0551

(ii) If to the Executive:

Frederick Sandford
At the address on file with the Corporation

(ii) Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 24 for the giving of notice.

(l) Legal Counsel; Mutual Drafting. Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language.

(m) Provisions that Survive Termination. The provisions of *Sections 3.4, 3.5, 5 through 13*, and this *Section 14* shall survive any termination of the Term of Employment.

(n) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

(o) Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Executive ceases to be in violation of such obligation.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation and Executive have executed this Employment Agreement as of the Effective Date.

CORPORATION

Sonoma Pharmaceuticals, Inc.,
a Delaware corporation

By: /s/ Jerry McLaughlin
Name: Jerry McLaughlin
Title: Lead Independent Director of
Sonoma Pharmaceuticals, Inc.

EXECUTIVE

By: /s/ Frederick Sandford
Name: Frederick Sandford

EXHIBIT A — RELEASE

1. Definitions. I intend all words used in this Release to have their plain meanings in ordinary English. Technical legal words are not needed to describe what I mean. Specific terms I use in this Release have the following meanings:

A. "I," "me," and "my" include me, Frederick Sandford, and anyone who has or obtains any legal rights or claims through me, including my heirs and estate, and each of my descendants, dependents, executors, administrators, assigns and successors.

B. "Employer," as used in this Release, shall at all times mean Sonoma Pharmaceuticals, Inc. and "Released Party" or "Released Parties", individual and collectively, means the Employer and the Employer's parent, past or present subsidiaries, affiliates, each of any present or former officers, directors, shareholders, employees, agents or attorneys, trustees, insurers, successors, predecessors, assigns, or personal representatives.

C. "My Claims" mean actions or causes of action, suits, claims, charges, complaints, contracts (whether oral or written, express or implied from any source), and promises, whatsoever, in law or equity, that I ever had, may now have or hereafter can, shall or may have against the Employer or other Released Party as of the date of the execution of this Release, including all unknown, undisclosed and unanticipated losses, wrongs, injuries, debts, claims or damages to me for, upon, or by reason of any matter, cause or thing whatsoever, that are in any way related to my employment with or separation (termination of employment) from the Employer.

By signing this Release, I am agreeing to release any actual and potential claim, known or unknown, I have or may potentially have, in law or in equity, either as an individual or standing in the shoes of the government, under any federal, state or local law, administrative regulation or legal principle (except as provided in Paragraph 4 of this Release). The following listing of laws and types of claims is not meant to, and shall not be interpreted to, exclude any particular law or type of claim, law, regulation or legal principle not listed. I understand I am releasing all my Claims, including, but not limited to, claims for invasion of privacy; breach of written or oral, express or implied, contract; fraud or misrepresentation; and any claim under Section 1981 of the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act of 1967 ("ADEA"), 29 U.S.C. § 626, as amended, the Older Workers Benefit Protection Act of 1990 ("OWBPA"), 29 U.S.C. 626(f), Title VII of the Civil Rights Act of 1964 ("Title VII"), 42 U.S.C. § 2000e, et seq., the Americans with Disabilities Act Amendments Act ("ADAAA"), 29 U.S.C. § 2101, et seq., the Family and Medical Leave Act ("FMLA"), 29 U.S.C. § 2601 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, 29 U.S.C. §§ 1001, et seq., Equal Pay Act ("EPA"), 29 U.S.C. § 206(d), the Worker Adjustment and Retraining Notification Act ("WARN"), 29 U.S.C. § 2101 et seq., the False Claims Act, 31 U.S.C. § 3729 et seq., the California Fair Employment and Housing Act, the California Family Rights Act, any other state human rights or fair employment practices act, and any other federal, state, or local statute, law, rule, regulation, ordinance or order. This includes, but is not limited to, claims for violation of any civil rights laws based on protected class status; claims for assault, battery, defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing, promissory estoppel, negligence, negligent hiring, retention or supervision, retaliation, constructive discharge, violation of whistleblower protection laws, unjust enrichment, payment of any kind, including any other claim for severance pay, bonus or incentive pay, sick leave, holiday pay, vacation pay, life insurance, health or medical insurance or any other fringe benefit, medical expenses, or disability, violation of public policy, and all other claims for unlawful employment practices, and all other common law or statutory claims. To the maximum extent permitted by law, I agree that I will not seek and waive any right to accept any relief or award from any charge or action against the Employer before any federal, state, or local administrative agency or federal state or local court whether filed by me or on my behalf with respect to any claim or right covered by this Release.

2. Agreement to Release My Claims. Except as stated in Paragraph 4, I agree to give up all My Claims, waive any rights thereunder, and forever discharge the Employer and all Released Parties of and from any and all liability to me for actions or causes of action, suits, or Claims. To the maximum extent permitted by law, I agree that I will not seek and I waive any right to accept any relief or award from any charge or action against the Employer or other Released Party before any federal, state, or local administrative agency or federal state or local court whether filed by me or on my behalf with respect to any claim or right covered by this Release. I also agree to withdraw any and all of my charges and lawsuits against Employer or other Released Party, except that I may, but am not required to, withdraw or dismiss, or attempt to withdraw or dismiss, any charges that I may have pending against the Employer or other Released Party with the EEOC or other civil rights enforcement agency.

I represent and warrant that I have not transferred or otherwise assigned my Claims, or parts thereof, to any person or entity, other than the Employer. I will defend, indemnify and hold harmless the Employer from and against any claim (including the payment of attorneys' fees and costs actually incurred whether or not litigation is commenced) that is directly or indirectly based on or in connection with or arising out of any such assignment or transfer made, purported or claimed.

In exchange for my agreement to release my Claims, I am receiving satisfactory Consideration (compensation) from the Employer to which I am not otherwise entitled by law, contract, or under any Employer policy. The consideration I am receiving is a full and fair payment for the release of all my Claims. The Employer and the Released Parties do not owe me anything in addition to what I will be receiving.

3. Older Workers Benefit Protection Act. [This section may be revised if Executive terminates employment as part of a “group” termination.] The Older Workers Benefit Protection Act (“OWBPA”) applies to individuals age 40 and older and sets forth certain criteria for such individuals to waive their rights under the Age Discrimination in Employment Act (“ADEA”) in connection with an exit incentive program or other employment termination program. I understand and have been advised that this Release of My Claims is subject to the terms of the OWBPA. The OWBPA provides that an individual cannot waive a right or claim under the ADEA unless the waiver is knowing and voluntary. I have been advised of this law, and I agree that I am signing this Release voluntarily, and with full knowledge of its consequences. I understand that the Employer is giving me at least twenty-one (21) calendar days from the date I received a copy of this Release to decide whether I want to sign it. I acknowledge that I have been advised to use this time to consult with an attorney about the effect of this Release. If I sign this Release before the end of the twenty-one (21) day period it will be my personal, voluntary decision to do so, and will be done with full knowledge of my legal rights. I agree that material and/or immaterial changes to the Separation Agreement or this Release will not restart the running of this consideration period.

4. Exclusions from Release. My Claims do not include my rights, if any, to claim the following: payments required to be made under the Employment Agreement between Executive and the Corporation dated as of December 11, 2018; unemployment insurance or workers compensation benefits; claims for my vested post-termination benefits under any 401(k) or similar tax-qualified retirement benefit plan; my COBRA rights; and my rights to enforce the terms of this Release.

A. Nothing in this Release interferes with my right to file a charge with the Equal Employment Opportunity Commission (“EEOC”) or other local civil rights enforcement agency, or participate in any manner in an EEOC investigation or proceeding under Title VII, the ADA, the ADEA, or the EPA. I, however, understand that I am waiving my right to recover individual relief including, but not limited to, back pay, front pay, reinstatement, attorneys’ fees, and/or punitive damages, in any administrative or legal action whether brought by the EEOC or other civil rights enforcement agency, me or any other party.

B. Nothing in this Release interferes with my right to challenge the knowing and voluntary nature of this Release under the ADEA and/or OWBPA, if I have rights under such laws.

C. I agree that the Employer and the Released Parties reserve any and all defenses, which any of them has or might have against any claims brought by me. This includes, but is not limited to, the Employer’s or other Released Party’s right to seek available costs and attorneys’ fees, and to have any monetary award granted to me, if any, reduced by the amount of money that I received in consideration for this Release.

D. Nothing in this Release releases any claims for indemnification by Executive pursuant to any indemnification agreement, statute or otherwise or claims for coverage under any D&O or other similar insurance policy.

5. Effective Date; Right to Rescind or Revoke. I understand that insofar as this Release relates to my rights under the Age Discrimination in Employment Act (“ADEA”), it shall not become effective or enforceable until seven (7) calendar days after I sign it. I also have the right to rescind (or revoke) this Release insofar as it extends to potential claims under the ADEA by written notice to Employer within seven (7) calendar days following my signing this Release (the “Rescission Period”). Any such rescission (or revocation) must be in writing and hand-delivered to Employer or, if sent by mail, postmarked within the applicable time period, sent by certified mail, return receipt requested, and addressed as follows:

A. post-marked within the seven (7) calendar day Rescission Period;

B. properly addressed to

[INSERT NAME AND ADDRESS]; and

C. sent by certified mail, return receipt requested.

6. I Understand the Terms of this Release. I have had the opportunity to read this Release carefully and understand all its terms. I have had the opportunity to review this Release with my own attorney. In agreeing to sign this Release, I have not relied on any statements or explanations made by the Employer or its attorneys. I understand and agree that this Release and the attached Agreement contain all the agreements between the Employer (and any other Released Party) and me. We have no other written or oral agreements. I understand this Release is a very important legal document and I agree to be bound by the terms of this Release.

Dated: _____, 20__

Frederick Sandford



Jerry McLaughlin
Lead Independent Director
Sonoma Pharmaceuticals, Inc.
1129 North McDowell Boulevard
Petaluma, CA 94954

December 12, 2018

Re: Resignation from the Board of Directors of Sonoma Pharmaceuticals, Inc.

Jerry,

Please accept this letter as my resignation from the Board of Directors of both Sonoma Pharmaceuticals, Inc. and its subsidiary, Aquamed Technologies, Inc., effective today.

It has been an honor to serve on the Company's board and wish you and the Company the best.

Sincerely,

/S/ Jim Schutz

Jim Schutz