

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## TOMI Environmental Solutions, Inc.

**Form: 10-Q**

**Date Filed: 2016-05-16**

Corporate Issuer CIK: 314227

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-09908

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

Florida

59-1947988

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification No.)

9454 Wilshire Blvd., Penthouse, Beverly Hills, CA 90212

(Address of principal executive offices) (Zip Code)

(800) 525-1698

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 12, 2016, the registrant had 120,488,596 shares of common stock outstanding.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors" in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, "Company," "we," "us," "our," and "TOMI" refer to TOMI Environmental Solutions, Inc. and its wholly-owned subsidiary.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring adjustments), which we consider necessary for the fair presentation of results for the three months ended March 31, 2016.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with U.S. generally accepted accounting principles and should be read in conjunction with our audited financial statements as of, and for the year ended December 31, 2015.

The results reflected for the three months ended March 31, 2016 are not necessarily indicative of the results for the entire year ending December 31, 2016.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

**ASSETS**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
Current Assets:		
Cash and Cash Equivalents	\$ 4,623,543	\$ 5,916,068
Accounts Receivable - net	1,617,462	1,414,576
Inventories (Note 3)	3,156,521	1,395,175
Deposits on Merchandise (Note 11)	237,345	442,358
Prepaid Expenses	114,292	76,730
Other Assets	36,613	36,613
Total Current Assets	9,785,777	9,281,519
Property and Equipment – net (Note 4)	506,523	250,264
Other Assets:		
Intangible Assets – net (Note 5)	2,195,171	2,287,548
Security Deposits	4,700	4,700
Total Other Assets	2,199,871	2,292,248
Total Assets	\$ 12,492,171	\$ 11,824,031
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 2,232,152	\$ 1,087,978
Accrued Officers Compensation (Note 9)	36,542	-
Common Stock and Warrants to be Issued (Note 12)	178,737	52,721
Customer Deposits	33,473	35,111
Deferred Rent	13,194	14,745
Advances on Grant (Note 11)	186,720	210,503
Total Current Liabilities	2,680,819	1,401,057
Total Liabilities	2,680,819	1,401,057
Commitments and Contingencies		
Stockholders' Equity:		
Cumulative Convertible Series A Preferred Stock; par value \$0.01, 1,000,000 shares authorized; 510,000 shares issued and outstanding at March 31, 2016 and December 31, 2015	5,100	5,100
Cumulative Convertible Series B Preferred Stock; \$1,000 stated value; 7.5% Cumulative dividend; 4,000 shares authorized; none issued and outstanding at March 31, 2016 and December 31, 2015	-	-
Common stock; par value \$0.01, 200,000,000 shares authorized; 120,338,596 and 120,063,180 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively.	1,203,386	1,200,632
Additional Paid-In Capital	40,815,284	40,391,216
Accumulated Deficit	(32,212,418)	(31,173,973)
Total Stockholders' Equity	9,811,352	10,422,974
Total Liabilities and Stockholders' Equity	\$ 12,492,171	\$ 11,824,031

The accompanying notes are an integral part of the financial statements.

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**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(UNAUDITED)**

	For The Three Months Ended	
	March 31,	
	2016	2015
Sales, net	\$ 1,706,976	\$ 676,386
Cost of Sales	747,812	278,476
Gross profit	<u>959,164</u>	<u>397,910</u>
Operating Expenses:		
Professional Fees	177,660	107,032
Depreciation and Amortization	133,267	125,253
Selling Expenses	352,177	94,735
Research and Development	8,781	22,190
Consulting fees	129,626	76,309
Equity Compensation Expense (Note 8)	338,629	125,087
General and Administrative	857,468	271,314
Total Operating Expenses	<u>1,997,608</u>	<u>821,919</u>
Loss from Operations	<u>(1,038,444)</u>	<u>(424,009)</u>
Other Income (Expense):		
Amortization of Deferred Financing Costs	-	(84,450)
Amortization of Debt Discounts	-	(963,348)
Fair Value Adjustment of Derivative Liability	-	(2,673,148)
Interest Expense	-	(126,850)
Total Other Income (Expense)	<u>-</u>	<u>(3,847,796)</u>
Net Loss	<u>\$ (1,038,444)</u>	<u>\$ (4,271,805)</u>
Loss Per Common Share		
Basic and Diluted	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Basic and Diluted Weighted Average Common Shares Outstanding	<u>120,177,335</u>	<u>84,043,034</u>

The accompanying notes are an integral part of the financial statements.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
**(UNAUDITED)**

	Series A Preferred		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2015	510,000	\$ 5,100	120,063,180	\$ 1,200,632	\$ 40,391,215	\$ (31,173,974)	\$ 10,422,973
Equity based compensation					281,628		281,628
Common stock issued for services provided			275,416	2,754	142,441		145,195
Net Loss for the three months ended March 31, 2016						(1,038,444)	(1,038,444)
Balance at March 31, 2016	<u>510,000</u>	<u>\$ 5,100</u>	<u>120,338,596</u>	<u>\$ 1,203,386</u>	<u>\$ 40,815,284</u>	<u>\$ (32,212,418)</u>	<u>\$ 9,811,352</u>

The accompanying notes are an integral part of the financial statements.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

	For The Three Months Ended March 31,	
	2016	2015
<b>Cash Flow From Operating Activities:</b>		
Net Loss	\$ (1,038,444)	\$ (4,271,805)
Adjustments to Reconcile Net loss to Net Cash Used In Operating Activities:		
Depreciation and Amortization	133,267	125,253
Amortization of Deferred Financing Costs	-	84,450
Amortization of Debt Discount	-	963,348
Fair Value Adjustment of Derivative Liability	-	2,673,148
Equity Based Compensation	281,628	97,301
Value of Equity Issued for Services	145,194	31,001
Reserve for Bad Debts	30,000	482
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	(232,887)	(171,166)
Inventory	(1,761,346)	(139,072)
Prepaid Expenses	(37,563)	(5,650)
Deposits on Merchandise	205,012	-
Other Assets	-	31
Deposits	-	1,853
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,144,174	157,552
Accrued Interest	-	(126,850)
Accrued Officers Compensation	36,542	9,000
Common Stock to be Issued	126,017	27,151
Deferred Rent	(1,551)	3,027
Advances on Grant	(23,783)	-
Customer Deposits	(1,637)	(97)
Net Cash Used in Operating Activities	<u>(995,376)</u>	<u>(541,043)</u>
<b>Cash Flow From Investing Activities:</b>		
Purchase of Property and Equipment	(297,149)	(9,793)
Net Cash Used in Investing Activities	<u>(297,149)</u>	<u>(9,793)</u>

The accompanying notes are an integral part of the financial statements.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED**  
**(UNAUDITED)**

	For The Three Months Ended March 31,	
	2016	2015
<b>Cash Flow From Financing Activities:</b>		
Proceeds From Issuance of Common Stock and Warrants	-	510,213
Decrease in Bond Sinking Fund	-	105,060
Payment of Finder's Fee	-	(51,000)
Net Cash Provided by Financing Activities	-	564,273
Increase (Decrease) In Cash and Cash Equivalents	(1,292,525)	13,437
Cash and Cash Equivalents - Beginning	5,916,068	160,560
Cash and Cash Equivalents – Ending	<u>\$ 4,623,543</u>	<u>\$ 173,997</u>
<b>Supplemental Cash Flow Information:</b>		
Cash Paid For Interest	<u>\$ -</u>	<u>\$ 253,700</u>
Cash Paid for Income Taxes	<u>\$ 800</u>	<u>\$ 800</u>
<b>Non-Cash Investing and Financing Activities</b>		
Common Stock Finder's Fee Accrual	<u>\$ -</u>	<u>\$ 15,312</u>

The accompanying notes are an integral part of the financial statements.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION OF BUSINESS**

TOMI is a leading provider of infection prevention and decontamination products and services, focused primarily on life sciences including healthcare, bio-safety, pharmaceutical, clean-room and research. Our mission is to help our customers create a healthier world thru TOMI's product line. TOMI's motto is "innovating for a safer world" for healthcare and life.

As a global decontamination and infectious disease control company, TOMI provides environmental solutions for indoor and outdoor surface decontamination through the sale of equipment, services and licensing of our SteraMist™ Binary Ionization Technology® ("BIT™") which is a hydrogen peroxide based mist and fog registered with the Environmental Protection Agency ("EPA").

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The interim unaudited condensed consolidated financial statements included herein, presented in accordance with generally accepted accounting principles utilized in the United States of America ("GAAP"), and stated in U.S. dollars, have been prepared by the Company, without an audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2015 and notes thereto which are included in the Form 10-K previously filed with the SEC on March 30, 2016. The Company follows the same accounting policies in the preparation of interim reports.

***Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of TOMI, and its wholly-owned subsidiary, TOMI Environmental Solutions, Inc., a Nevada Corporation. The Company's 55% owned subsidiary, TOMI Environmental-China, has been dormant since its formation in April 2011. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Reclassification of Accounts***

Certain reclassifications have been made to prior-year comparative financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or financial position.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying unaudited condensed consolidated financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to the accounts receivable, fair values of financial instruments, intangible assets, useful lives of intangible assets and property and equipment, fair values of stock-based awards, income taxes, and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of our assets and liabilities.

### ***Fair Value Measurements***

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data or substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

The Company's financial instruments include cash and equivalents, accounts receivable, and accounts payable and accrued expenses. All these items were determined to be Level 1 fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximated fair value because of the short maturity of these instruments.

### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand held at financial institutions and other liquid investments with original maturities of three months or less.

### ***Accounts Receivable***

Our accounts receivable are typically from credit worthy customers or, for certain international customers, are supported by pre-payments. For those customers to whom we extend credit, we perform periodic evaluations of them and maintain allowances for potential credit losses as deemed necessary. We have a policy of reserving for doubtful accounts based on our best estimate of the amount of potential credit losses in existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debt expense for the three months ended March 31, 2016 and 2015 was \$30,000 and \$482, respectively.

At March 31, 2016 and December 31, 2015, the allowance for doubtful accounts was \$75,000 and \$45,000, respectively.

As of March 31, 2016, one customer accounted for 13% of net accounts receivable. Two customers accounted for 52% of net revenues for the three months ended March 31, 2016

As of December 31, 2015 three customers accounted for 42% of net accounts receivable. Three customers accounted for 70% of net revenues for the quarter ended March 31, 2015

### ***Inventories***

Inventories are valued at the lower of cost or market using the first-in, first-out ("FIFO") method. Inventories consist primarily of finished goods and raw materials. At March 31, 2016 and December 31, 2015, we did not have a reserve for slow-moving or obsolete inventory.

**Deposits on Merchandise**

Deposits on merchandise primarily consist of amounts incurred or paid in advance of the receipt of inventory. (See note 11)

**Property and Equipment**

We account for property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, generally three to five years. Depreciation for equipment, furniture and fixtures and vehicles commences once placed in service for its intended use. Leasehold improvements are amortized using the straight-line method over the lives of the respective leases or service lives of the improvements, whichever is shorter.

**Deferred Financing Costs**

The Company follows authoritative guidance for accounting for financing costs as it relates to convertible debt issuance cost. These costs are deferred and amortized over the term of the debt period or until redemption of the convertible debentures. Amortization of deferred financing costs amounted to approximately \$0 and \$84,000 for the three months ended March 31, 2016 and 2015, respectively.

**Accounts Payable**

As of March 31, 2016 and December 31, 2015, one vendor accounted for approximately 83% and 72% of total accounts payable, respectively.

For the three months ended March 31, 2016 and 2015, one vendor accounted for 77% and 87% of cost of goods sold, respectively.

**Accrued Warranties**

Accrued warranties represent the estimated costs, if any, that will be incurred during the warranty period of our products. We make an estimate of expected costs that will be incurred by us during the warranty period and charge that expense to the consolidated statement of operations at the date of sale. Our manufacturer assumes warranty against product defects for one year which we extend to our customers. We assume responsibility for product reliability and results. As of March 31, 2016 and 2015, the Company did not establish a reserve.

**Income taxes**

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which are, on a more likely than not basis, not expected to be realized; in accordance with ASC guidance for income taxes. Net deferred tax benefits have been fully reserved at March 31, 2016 and December 31, 2015. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

**Loss Per Share**

Basic loss per share is computed by dividing the Company's net loss by the weighted average number of common shares outstanding during the period presented. Diluted loss per share is based on the treasury stock method and includes the effect from potential issuance of common stock such as shares issuable pursuant to the exercise of warrants and conversions of debentures.

Potentially dilutive securities as of March 31, 2016, consisted of 36,026,413 shares of common stock from outstanding warrants, 200,000 shares of common stock from options and 510,000 shares of common stock from convertible Series A preferred stock. Diluted and basic weighted average shares are the same, as potentially dilutive shares are anti-dilutive.

Potentially dilutive securities as of March 31, 2015, consisted of 17,496,552 shares of common stock from convertible debentures, 32,451,413 shares of common stock from outstanding warrants (including warrants to purchase up to 7,611,000 shares of common stock issued in conjunction with convertible notes), 100,000 shares of common stock from options and 510,000 shares of common stock from convertible Series A preferred stock. Diluted and basic weighted average shares are the same, as potentially dilutive shares are anti-dilutive.

### ***Revenue Recognition***

For revenue from services and product sales, the Company recognized revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB No. 104), which superseded Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB No. 101). SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) service has been rendered or delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgment regarding the fixed nature of the selling prices of the services rendered or products delivered and the collectability of those amounts. Provisions for discounts to customers, and allowance, and other adjustments will be provided for in the same period the related sales are recorded.

### ***Stock-Based Compensation***

The Company accounts for stock-based compensation in accordance with Financial Accounting Standards Board ("FASB"), ASC 718, Compensation- "Stock Compensation." Under the provisions of FASB ASC 718, stock-based compensation cost is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period. The Company had one active stock-based compensation plan, the TOMI Environmental Solutions, Inc. Stock Option and Restricted Stock Plan (the "2008 Plan"). The 2008 Plan calls for the Company, through a committee of its board of directors, to issue up to 2,500,000 shares of restricted common stock or stock options. The Company generally issues grants to its employees, consultants, and board members. Stock options are granted with an exercise price equal to the closing price of its common stock on the date of the grant with a term no greater than 10 years. Generally, stock options vest over two to four years. Incentive stock options granted to shareholders who own 10% or more of the Company's outstanding equity securities are granted at an exercise price that may not be less than 110% of the closing price of the Company's common stock on the date of grant and have a term no greater than five years. On the date of a grant, the Company determines the fair value of the stock option award and recognizes compensation expense over the requisite service period, which is generally the vesting period of the award. The fair value of the stock option award is calculated using the Black-Scholes option-pricing model. On August 25, 2015, the 2008 Plan was terminated.

On January 29, 2016, the board of directors adopted the 2016 Equity Compensation Plan (the "2016 Plan") subject to its approval by stockholders. The 2016 Plan authorizes the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and performance units / shares. Up to 5,000,000 shares of common stock are authorized for issuance under the 2016 Plan. Shares issued under the 2016 Plan may be either authorized but unissued shares, treasury shares, or any combination thereof. Provisions in the 2016 Plan permit the reuse or reissuance by the 2016 Plan of shares of common stock for numerous reasons, including, but not limited to, shares of common stock underlying canceled, expired, or forfeited awards of stock-based compensation and stock appreciation rights paid out in the form of cash. Stock-based compensation will typically be awarded in consideration for the future performance of services to the Company. All recipients of awards under the 2016 Plan are required to enter into award agreements with the Company at the time of the award; awards under the 2016 Plan are expressly conditioned upon such agreements. For the three months ended March 31, 2016, there were 100,000 stock options issued out of the plan.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company maintains cash balances at financial institutions which exceed the current Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 at times during the year.

### ***Long-Lived Assets Including Acquired Intangible Assets***

The Company assesses long-lived assets for potential impairments at the end of each year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. In evaluating long-lived assets for impairment, the Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If the Company's long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. The Company bases its calculations of the estimated fair value of its long-lived assets on the income approach. For the income approach, the Company uses an internally developed discounted cash flow model that include, among others, the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. We base these assumptions on our historical data and experience, industry projections, micro and macro general economic condition projections, and our expectations. We have had no long-lived asset impairment charges for the three months ended March 31, 2016 and 2015

### **Advertising and Promotional Expenses**

The Company expenses advertising costs in the period in which they are incurred. For the three months ended March 31, 2016 and 2015, advertising and promotional expenses were approximately \$41,000 and \$3,000, respectively.

### **Research and Development Expenses**

The Company expenses research and development expenses in the period in which they are incurred. For the three months ended March 31, 2016 and 2015, research and development expenses were approximately \$9,000 and \$22,000, respectively.

### **Shipping and Handling Costs**

The Company includes shipping and handling costs relating to the delivery of products directly from vendors to the Company in cost of sales. Shipping and handling costs, which include third-party delivery costs relating to the delivery of products from the Company to customers, are classified as a general and administrative expense. Shipping and handling costs included in general and administrative expense were \$29,000 and \$7,000 for the three months ended March 31, 2016 and 2015, respectively.

### **Business Segments**

The Company currently only has one reportable business segment due to the fact that the Company derives its revenue primarily from one product. The revenue from domestic sales and international sales are shown below:

	For the Three Months Ended March 31,	
	2016	2015
	Net revenues	Net revenues
	(unaudited)	
Domestic	\$ 978,678	\$ 573,844
International	728,298	102,542
Total	\$ 1,706,976	\$ 676,386

### **Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflect the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring that deferred tax assets and liabilities be classified as non-current. We retrospectively adopted this standard as of December 31, 2015. As a result, there was no impact to the Company's results of operations.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases." ASU 2016-02 provides new lease accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

### NOTE 3. INVENTORIES

Inventories consist of the following:

	March 31, 2016 (Unaudited)	December 31, 2015
Raw materials	\$ 7,365	\$ 13,024
Finished goods	3,149,156	1,382,151
	<u>\$ 3,156,521</u>	<u>\$ 1,395,175</u>

### NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	March 31, 2016 (Unaudited)	December 31, 2015
Furniture and fixtures	\$ 79,743	\$ 79,743
Equipment	718,592	421,442
Vehicles	44,344	44,344
Software	34,999	34,999
Leasehold Improvements	15,554	15,554
	<u>893,232</u>	<u>596,082</u>
Less: Accumulated depreciation	386,708	345,818
	<u>\$ 506,523</u>	<u>\$ 250,264</u>

For the three months ended March 31, 2016 and 2015, depreciation was \$40,890 and \$32,876, respectively.

### NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of patents and trademarks related to our Binary Ionization Technology. All of these assets were pledged as collateral for the convertible notes as described below in Note 6. The patents are being amortized over the estimated remaining lives of the related patents. The trademarks have an indefinite life. Amortization expense was \$92,377 and \$92,377 for the three months ended March 31, 2016 and 2015.

Definite life intangible assets consist of the following:

	March 31, 2016 (Unaudited)	December 31, 2015
Intellectual Property and Patents	\$ 2,848,300	\$ 2,848,300
Less: Accumulated Amortization	1,093,129	1,000,752
Intangible Assets, net	<u>\$ 1,755,171</u>	<u>\$ 1,847,548</u>

Indefinite life intangible assets consist of the following:

Trademarks	\$ 440,000	\$ 440,000
Total Intangible Assets, net	<u>\$ 2,195,171</u>	<u>\$ 2,287,548</u>

Approximate amortization over the next five years is as follows:

Twelve Month Period Ending March 31,	Amount
2017	\$ 370,000
2018	370,000
2019	370,000
2020	370,000
2021	275,000
	<u>\$ 1,755,000</u>

#### NOTE 6. CONVERTIBLE DEBT

In November 2012, the Company initiated a private placement offering a maximum of 240 Units (as defined below) of the Company's securities at a price of \$25,000 per Unit or \$6,000,000. The initial closing of the offering occurred in April 2013 as the bulk of the net proceeds of the offering were to be allocated for the asset purchase from L-3 Applied Technologies, Inc., which was finalized April 2013. Each Unit consisted of \$25,000 par amount of a 10% Senior Secured Callable Convertible Promissory Note due and payable on July 31, 2015 (the "Notes") and 37,500 warrants each of which allows the investor to purchase one share of common stock and expires on July 31, 2018. Interest was payable on the Notes at a rate of 10% per annum, and payable on July 31<sup>st</sup> and January 31<sup>st</sup>. The Notes were secured by the Company's intellectual property such as the patents, royalties, receivables of the Company and all equipment except for the new equipment acquired with the proceeds from any future financing that is initially secured by this new equipment. The Notes called for the establishment of a sinking fund. Within 45 days of each calendar quarter 15% of the Company's reported revenue was required to be deposited into the Company's escrowed sinking fund account.

The Company sold 202.96 Units for gross proceeds of \$5,074,000 and issued warrants to purchase up to 7,611,000 shares of common stock in connection with the Units. Net proceeds amounted to \$4,462,693 after expenses of offering totaling \$611,307. In addition, the placement agent received warrants to purchase up to 1,014,800 shares of common stock valued at \$165,180.

The Notes were convertible, at the option of the note holder, into shares of our common stock at an initial conversion price of \$.29 (which conversion price is subject to adjustment upon the occurrence of events specified in the Notes, including stock dividends, stock splits, certain fundamental corporate transactions, and certain issuances of common stock by the Company).

The warrants are exercisable into shares of common stock (the "Warrant Shares") at an initial exercise price of \$0.30 (which may be subject to certain adjustments as set forth in the warrants).

The Company evaluated the warrants under ASC 815-40-15 due to the exercise price being adjustable upon certain events occurring. The Company determined that the warrants are considered indexed to the Company's own common stock and thus meet the scope exception under FASB ASC 815-10-15-74 and are therefore not considered a derivative. The estimated fair value of the warrants, which contain reset provisions, were calculated using the Monte Carlo valuation model. The Company recorded the warrants' relative fair value of \$956,712 as an increase to additional paid in capital and a discount against the related debt.

The Notes contained a provision whereby the conversion price is adjustable upon the occurrence of certain events, including the issuance of common stock or common stock equivalents at a price which is lower than the current conversion price. Under FASB ASC 815-40-15-5, the embedded conversion feature was not considered indexed to the Company's own common stock and, therefore, did not meet the scope exception in FASB ASC 815-10-15 and thus needed to be accounted for as a derivative liability. The initial fair value of the embedded conversion feature was estimated at \$7,316,092 and recorded as a derivative liability, resulting in an additional discount of \$4,117,288 to the Notes and a finance charge of \$3,198,804 included in the statement of operations for the year ended December 31, 2013. The fair value of the embedded conversion feature was estimated at the end of each quarterly reporting period using the Monte Carlo model.

Inherent in the Monte Carlo Valuation model are assumptions related to expected volatility, remaining life, risk-free rate and expected dividend yield. For the Notes using a Monte Carlo model, we estimate the probability and timing of potential future financing and fundamental transactions as applicable. The Company applied various assumptions into the Monte Carlo Valuation models to determine the change in the fair value of the derivative liability as of the retirement dates of the Notes.

The debt discount was amortized over the life of the convertible note using the effective interest method and was fully amortized upon the retirement of the convertible notes during the quarter ended June 30, 2015.

In June 2015, the Company offered the noteholders options to convert to cash or at a reduced conversion price on the Notes from \$.29 per share provided the conversion feature was exercised prior to June 30, 2015. If the noteholder agreed to lock up the converted shares for six (6) months or an uptick to a market on the NYSE or NASDAQ Stock Market, LLC, whichever is shorter, the conversion price was reduced to \$.26 per share. Absent the lock up, the noteholder could convert at \$.275 per share. All noteholders except two converted at \$.26. Pursuant to the terms of the conversion offer, an aggregate of \$3,774,000 of the Notes and \$124,000 of accrued interest were converted into 14,913,968 shares of the Company's common stock. The Company recognized an induced conversion cost of \$930,383 related to all conversions and retirements.

In addition, during the quarter ended June 30, 2015, an aggregate of \$1,300,000 of the Notes and \$87,500 in accrued interest were repaid in the form of cash.

#### Convertible Notes

The assumptions used in the Monte Carlo Models are as follows:

	June 30, 2015	Inception
Closing stock price	\$ 0.55-.64	\$ 0.13-0.55
Conversion price	\$ 0.29	\$ 0.29
Expected volatility	125%	185%-190%
Remaining term (years)	0.09 - 0.11	2.30-2.07
Risk-free rate	0.00%	.25%-.43%
Expected dividend yield	0%	0%

#### Warrants

	Inception
Closing stock price	\$ 0.13-0.55
Conversion price	\$ 0.30
Expected volatility	250%
Remaining term (years)	5.30-5.09
Risk-free rate	.76% -(1.61)%
Expected dividend yield	0%

#### NOTE 7. FAIR VALUE

Level 3 financial instruments consist of certain embedded conversion features. The fair value of these embedded conversion features that have exercise reset features are estimated using a Monte Carlo valuation model. The Company adopted the disclosure requirements of ASU 2011-04, "Fair Value Measurements." (See note 6) The unobservable input used by the Company was the estimation of the likelihood of a reset occurring on the embedded conversion feature of the Convertible Notes. These estimates of the likelihood of completing an equity raise that would meet the criteria to trigger the reset provisions are based on numerous factors, including the remaining term of the financial instruments and the Company's overall financial condition.

The following table summarizes the changes in fair value of the Company's Level 3 financial instruments for the period ended March 31, 2016 and December 31, 2015. Upon the retirement of the Notes in June 2015, the fair value of the derivative liability was \$0.

	March 31, 2016 (Unaudited)	December 31, 2015
Beginning Balance	\$ -	\$ 1,728,883
Change in fair value	-	3,810,955
Reclassification to additional paid in capital due to retirement of convertible notes	-	(5,539,838)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation of the likelihood of the occurrence of a change to the conversion price based on the contractual terms of the financial instruments. A significant increase (decrease) in this likelihood would result in a higher (lower) fair value measurement. As of March 31, 2016 and December 31, 2015, the balance of derivative liability was \$0 as the Notes were retired during the second quarter of 2015.

#### **NOTE 8. STOCKHOLDERS' EQUITY**

The Company's board of directors may, without further action by the Company's stockholders, from time to time, direct the issuance of any authorized but unissued or unreserved shares of preferred stock in series and at the time of issuance, determine the rights, preferences and limitations of each series. The holders of such preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of our common stock. Furthermore, the board of directors could issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of our common stock.

##### ***Convertible Series A Preferred Stock***

The Company has authorized 1,000,000 shares of Convertible Series A Preferred Stock, \$0.01 par value. At March 31, 2016 and December 31, 2015, there were 510,000 shares issued and outstanding, respectively. The Convertible Series A Preferred Stock is convertible at the rate of one share of common stock for one share of Convertible Series A Preferred Stock.

##### ***Convertible Series B Preferred Stock***

The Company has authorized 4,000 shares of Convertible Series B Preferred Stock, \$1,000 stated value, 7.5% Cumulative dividend. At March 31, 2016 and December 31, 2015, there were no shares issued and outstanding, respectively.

##### ***Common Stock***

During the three months ended March 31, 2015, the Company issued 100,000 shares of common stock valued at approximately \$25,000 for professional services rendered.

During the three months ended March 31, 2015, the Company issued 20,245 shares of common stock valued at \$6,000 to Nick Jennings, CFO, as part of his annual compensation from the Company.

During the three months ended March 31, 2015, the Company sold, through its confidential private offering, 1,500,002 equity units. Each unit consisted of 1 share of common stock and 2.5 warrants. The warrants have an exercise price of \$29 per share and a term of seven years. Gross proceeds to the Company amounted to \$434,826. In connection with the sale, the Company incurred a [cash finder's fee in the amount of \$43,500 in addition to a finder's fee to be paid in common stock of 45,000 shares valued at \$13,050

During the three months ended March 31, 2015, the Company directly sold, 260,000 equity units. Each unit consisted of 1 share of common stock and 2.5 warrants. The warrants have an exercise price of \$.29 per share and a term of seven years. Gross proceeds to the Company amounted to \$75,387. In connection with the sale, the Company incurred a cash finder's fee in the amount of \$7,500 in addition to a finder's fee to be paid in common stock of 7,800 shares valued at \$2,262

During the three months ended March 31, 2016, the Company issued 275,416 shares of common stock valued at approximately \$145,000 for professional services rendered.

### Stock Options

The Company issued 40,000 options valued at \$10,798 to two directors in January 2015. The options have an exercise price of \$0.27 per share. The options expire in January 2025. The options were valued using the Black-Scholes model using the following assumptions: volatility: 237%; dividend yield: 0%; zero coupon rate: 1.61%; and a life of 10 years.

The Company issued 100,000 options valued at \$54,980 to four directors in February 2016. The options have an exercise price of \$0.55 per share. The options expire in February 2026. The options were valued using the Black-Scholes model using the following assumptions: volatility: 224%; dividend yield: 0%; zero coupon rate: 1.47%; and a life of 10 years.

The following table summarizes stock options outstanding as of March 31, 2016 and December 31, 2015:

	March 31, 2016 (Unaudited)		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	100,000	\$ 0.96	60,000	\$ 1.42
Granted	100,000	0.55	40,000	0.27
Exercised	-	-	-	-
Outstanding, end of period	200,000	\$ 0.76	100,000	\$ 0.96

Options outstanding and exercisable by price range as of March 31, 2016 were as follows:

Outstanding Options		Average Weighted Remaining Contractual Life in Years	Exercisable Options	
Range	Number		Number	Weighted Average Exercise Price
\$ 2.10	40,000	3.76	40,000	\$ 2.10
\$ 0.05	20,000	4.77	20,000	\$ 0.05
\$ 0.27	40,000	8.77	40,000	\$ 0.27
\$ 0.55	100,000	9.85	100,000	\$ 0.55
	<u>200,000</u>		<u>200,000</u>	

### Stock Warrants

For the three months ended March 31, 2015, the Company recognized equity based compensation of approximately \$79,000 on the warrants issued to the CEO in connection with the employment agreement. In addition, the Company recognized approximately \$28,000 to a consultant (Note 11), and \$7,400 on the vesting of warrants issued to the CFO on October 1, 2014 (Note 9).

During the quarter ended March 31, 2015, the Company issued warrants to purchase up to 4,400,005 shares of common stock in connection with equity units sold to investors. See note 8 (common stock) for additional details.

For the three months ended March 31, 2016, the Company recognized total equity based compensation of approximately \$168,000 on warrants issued to the CEO in connection with his current and previous employment agreements (Note 9). For the three months ended March 31, 2016, the Company recognized \$39,000 in stock compensation expense for the warrants issued to the CEO in February 2014 that vested in February 2016. In addition, on March 31, 2016, the Company issued warrants to purchase up to 250,000 shares of common stock to the CEO with a term of five years that vest upon issuance and have an exercise price of \$.50 per share. The Company utilized the Black-Scholes method to fair value the warrants to purchase up to 250,000 shares of common stock received by the CEO totaling approximately \$129,000 with the following assumptions: volatility, 162%; expected dividend yield, 0%; risk free interest rate, 1.47%; and a life of 5 years. The grant date fair value of each warrant was \$0.51. (See note 9 for additional details)

For the three months ended March 31, 2016, the Company recognized total equity based compensation of approximately \$58,000 on warrants issued to the CFO in connection with his current and previous employment agreements (Note 9). For the three months ended March 31, 2016, the Company recognized \$7,000 in stock compensation expense for the accrued but not vested portion of the warrants issued to the CFO under his previous agreement with the Company. In addition, on January 26, 2016, the Company issued warrants to purchase up to 100,000 shares of common stock to the CFO with a term of five years that vest upon issuance and have an exercise price of \$.55 per share. The Company utilized the Black-Scholes method to fair value the warrants to purchase up to 100,000 shares of common stock received by the CFO totaling approximately \$51,000 with the following assumptions: volatility, 164%; expected dividend yield, 0%; risk free interest rate, 1.47%; and a life of 5 years. The grant date fair value of each warrant was \$0.51. (See note 9 for additional details)

For the three months ended March 31, 2016, the Company recognized equity compensation expense of approximately \$57,000 related to warrants contracted to an employee pursuant to his employment agreement with the Company that were issued in April of 2016. The Company has accrued for the estimated fair value of the warrants as of March 31, 2016. The Company utilized the Black-Scholes method to fair value the warrants received by the employee with the following assumptions: volatility, 159%; expected dividend yield, 0%; risk free interest rate, 1.47%; and a life of 5 years. The grant date fair value of each warrant was \$0.46. (See note 12)

The following table summarizes the outstanding common stock warrants as of March 31, 2016 and December 31, 2015:

	March 31, 2016 (Unaudited)		December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	35,676,413	\$ 0.30	28,051,408	\$ 0.23
Granted	350,000	0.51	7,625,005	0.58
Outstanding, end of period	36,026,413	\$ 0.31	35,676,413	\$ 0.30

Warrants outstanding and exercisable by price range as of March 31, 2016 were as follows:

Outstanding Warrants			Average Weighted Remaining Contractual Life in Years	Exercisable Warrants	
Range	Number			Number	Weighted Average Exercise Price
\$ 0.01	1,575,000		1.28	1,575,000	\$ 0.01
\$ 0.05	975,000		1.37	975,000	\$ 0.05
\$ 0.15	7,750,000		1.55	7,750,000	\$ 0.15
\$ 0.26	100,000		2.24	100,000	\$ 0.26
\$ 0.29	10,125,613		4.56	10,125,613	\$ 0.29
\$ 0.30	11,925,800		2.50	11,825,800	\$ 0.30
\$ 0.33	75,000		2.50	75,000	\$ 0.33
\$ 0.50	325,000		4.32	325,000	\$ 0.50
\$ 0.55	100,000		4.83	100,000	\$ 0.55
\$ 0.62	75,000		2.30	75,000	\$ 0.62
\$ 1.00	3,000,000		4.09	3,000,000	\$ 1.00
	<u>36,026,413</u>			<u>35,926,413</u>	

Unvested warrants outstanding as of March 31, 2016 were as follows:

Unvested Warrants			
Weighted Average Exercise Price	Number	Average Weighted Remaining Contractual Life in Years	
\$ 0.30	100,000	5.00	

#### NOTE 9. RELATED PARTY TRANSACTIONS

For each of the respective quarters ended March 31, 2016 and 2015, the Company incurred fees for legal services rendered by Harold Paul in the amount of \$15,000. Mr. Paul is also director of the Company.

In September 2015, the Company issued 100,000 shares of common stock valued at \$47,000 to E.J. Shane, the CEO's daughter, as an incentive to accept the position as the Chief Compliance and Regulatory Officer.

As of March 31, 2016 and December 31, 2015, the Company had account receivable balances from three entities under common control and owned by an employee of \$120,400 and \$210,686, respectively. For the quarters ended March 31, 2016 and 2015, there were sales made to these three entities in the amounts of \$0 and \$241,577, respectively.

In January, 2016, the Company entered into a distributor agreement with TOMI Asia to facilitate growth in the Asian region, specifically including China and Indochina, and excluding South Korea, Australia and New Zealand. Wee Ah Kee, a principal stockholder of TOMI, is the Chief Executive Officer of TOMI Asia. The agreement is for an initial two-year term and sets a revenue target of \$5.5 million of TOMI's products during the term.

#### NOTE 10. COMMITMENTS AND CONTINGENCIES

##### *Lease Commitments*

In September of 2014 the Company entered into a lease agreement for office and warehouse space in Fredrick Maryland. As part of the lease agreement, the Company received a rent holiday in the first 5 months of the lease. The lease also provides for an escalation clause where the Company will be subject to an annual rent increase of 3%, year over year. The lease expires on January 31, 2018. The Company accounts for the lease using the straight line method and recorded \$11,427 in rent expense for the three months ended March 31, 2016 and 2015. Approximate minimum annual rents under the lease are as follows:

Twelve Month Period Ending March 31,	Amount
2017	\$ 52,000
2018	45,000
	<u>\$ 97,000</u>

##### *Legal Contingencies*

We may become a party to litigation in the normal course of business. In the opinion of management, there are no legal matters involving us that would have a material adverse effect upon our financial condition, results of operations or cash flows.

##### *Product Liability*

As of March 31, 2016 and December 31, 2015, there were no claims against the Company for product liability.

## NOTE 11. CONTRACTS AND AGREEMENTS

### *Employment Agreements*

On February 11, 2014, the Company entered into an employment agreement with Halden S. Shane, our Chief Executive Officer (“CEO”). The term of the employment agreement extended through December 31, 2016 with automatic renewal for successive one-year periods unless otherwise terminated by either party thereunder. Dr. Shane’s annual base salary was \$36,000, which shall increase to \$120,000 upon the Company exceeding gross revenues of \$5,000,000 on a calendar year basis and to \$175,000 upon the Company exceeding gross revenues of \$10,000,000 on a calendar year basis. Dr. Shane also received a grant of 3,000,000 warrants to purchase shares of the Company’s common stock at a price of \$0.30 per share which have a term of five years and vest upon the following schedule: 1,000,000 vested upon issuance, 1,000,000 vested on February 11, 2015, and 1,000,000 vested February 11, 2016. Dr. Shane’s employment agreement includes restrictive covenants of non-solicitation and confidentiality of proprietary information. Under the employment agreement, Dr. Shane assigned any and all of his rights to Company proprietary information to the Company and agreed that all property created by him during and in connection with his employment constitutes “works for hire” as defined in the United States Copyright Act.

On January 15, 2016, the Company entered into a new employment agreement with Dr. Shane. The agreement provides for a base annual salary of \$360,000. The agreement also provides for the quarterly issuance of 250,000 options to purchase common stock in 2016 with an exercise price equal to the three day trailing volume weighted average price of the common stock. The previous agreement between the Company and Dr. Shane provided for an annual salary increase in the amount of \$120,000 upon the Company exceeding gross revenues of \$5,000,000 on a calendar year basis and to \$175,000 upon the Company exceeding gross revenues of \$10,000,000 on a calendar year basis, which does not exist in the new agreement. In the event Dr. Shane is terminated for any reason or becomes disabled or dies, any options held will become cashless and will be entitled to piggyback registration and are exercisable immediately. Dr. Shane is also entitled to performance bonuses, subject to the achievement of certain objectives, including (i) a minimum semi-annual grant of stock options to purchase up to 250,000 shares of common stock and (ii) a cash bonus, in the sole discretion of the board of directors.

In the event, Dr. Shane is terminated as CEO as a result of a change in control, Dr. Shane will be entitled to a lump sum payment of two years’ salary at the time of such termination and will be granted 3 million options that are cashless and, when exercised, will have piggyback registration or demand registration rights, and if applicable, any and all outstanding stock grants will be accelerated and be fully vested.

Termination for cause may be effected by the board of directors by written notification to Dr. Shane; provided, however, that no termination for cause will be effective unless he has been provided with prior written notice and opportunity for remedial action and fails to remedy within 30 days thereof, in the event of a termination by the Company (i) by reason of willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to, the Company, (ii) by reason of material breach of his employment agreement or (iii) by reason of gross negligence or intentional misconduct with respect to the performance of duties under this Agreement. Upon termination for cause, Dr. Shane will be immediately paid an amount equal to his gross salary.

The board of directors may effect a termination other than for cause at any time upon giving notice to Dr. Shane. Upon such termination, Dr. Shane will be immediately paid an amount equal to his gross salary

On February 8, 2016, the Company entered into an employment agreement with Robert Wotczak in connection with his role as the Company’s President. Mr. Wotczak’s annual salary is \$240,000 per annum paid bi-weekly. Additionally, in accordance with the terms of the agreement, the Company agreed to issue him 150,000 shares of common stock, which was issued in April 2016. Mr. Wotczak will also be entitled to (i) annual grants of stock options to purchase up to 250,000 shares of common stock each year under the 2016 Plan, (ii) additional shares of common stock granted on an annual basis based on achievement of performance objectives, (iii) an annual raise and/or bonus for meeting or achieving certain performance objectives, (iv) a vehicle expense up to \$750 per month and (v) health insurance contributions equal to 80% toward the cost of an individual plan. Mr. Wotczak’s agreement includes restrictive covenants of non-solicitation and confidentiality of proprietary information. In the event of a change in control of the Company, which results in his termination, Mr. Wotczak will be entitled to a lump sum payment of one year’s salary and all equity awards will be accelerated and fully vested. The Company may terminate Mr. Wotczak’s employment at any time; provided, however, that the Company must provide fourteen days’ notice if any of the following events occur: (a) the sale of substantially all of the Company’s assets, (b) sale, exchange, or other disposition in one transaction of the majority of the Company’s outstanding capital stock, (c) the Company’s decision to terminate its business and liquidate its assets, (d) the merger or consolidation of the Company with another company, or (e) bankruptcy or chapter 11 reorganization.

On September 30, 2014, the Company entered into an employment agreement with Nick Jennings, our Chief Financial Officer ("CFO") to provide part-time services. The term of the employment agreement was through December 31, 2014 with a review of employment in January 2015. Mr. Jennings' salary was \$5,000 per month in cash and \$2,000 in common stock per month, paid quarterly. Mr. Jennings also received a 5 year warrant to purchase up to 300,000 shares of common stock at a price per share equal to \$0.30 and vests upon the following schedule: 100,000 vested upon issuance, 100,000 vested on October 1, 2015, and 100,000 will vest as of October 1, 2016. In connection with the employment agreement, Mr. Jennings entered into agreements that included restrictive covenants of non-solicitation and confidentiality of proprietary information.

On September 2, 2015, we entered into a new employment agreement with Mr. Jennings, which superseded his prior agreement, pursuant to which he will continue to serve as our CFO. Mr. Jennings' annual salary is \$132,000 which is reviewed each year. Mr. Jennings also received a 5 year warrant to purchase up to 100,000 shares of common stock at an exercise price per share equal to the fair value at the date of grant which fully vested at the time of issuance, which was on January 26, 2016. Mr. Jennings is also entitled to additional equity compensation based upon superior performance of his responsibilities, as determined by the board of directors, in its sole discretion. In the event of a change in control of the Company, which results in his termination, Mr. Jennings will be entitled to a lump sum payment of one year's salary, all equity awards will be accelerated and fully vested. In the event his employment is terminated other than for cause, Mr. Jennings will receive an amount equal to his annual salary as of such terminate date after the second employment anniversary.

On October 16, 2014, we entered into an employment agreement with Norris Gearhart pursuant to which he agreed to serve as the Company's Chief Operating Officer ("COO"). Mr. Gearhart's salary was \$126,000 per annum paid bi-monthly. Additionally, Mr. Gearhart received 100,000 shares of Common Stock upon signing his agreement, a monthly transportation expense up to \$500 towards a vehicle and the ability to receive an additional cash or equity bonus upon the achievement of pre-agreed performance objectives.

On September 2, 2015, we entered into a new employment agreement with Mr. Gearhart, which superseded his prior agreement, pursuant to which he will continue to serve as our COO. Mr. Gearhart's annual salary is \$145,000 which is reviewed each at the end of the second anniversary. Mr. Gearhart will receive annual grants of stock options to purchase up to 250,000 shares of Common Stock at an exercise price equal to the volume weighted average price of the five-day period prior to the close of the year. Mr. Gearhart is also entitled to additional equity compensation based upon superior performance of his responsibilities, as determined by the board of directors, in its sole discretion. In the event of a change in control of the Company, which results in his termination, Mr. Gearhart will be entitled to a lump sum payment of one year's salary and all equity awards will be accelerated and fully vested. In the event his employment is termination other than for cause, Mr. Gearhart will receive an amount equal to his annual salary as of such terminate date after the second employment anniversary.

#### ***Sales and Distribution Agreement***

In September 2014, the Company entered into a Sales and Distribution Agreement, superseding previous agreements, with TOMI Panama S.A. ("TOMI Panama") covering Panama. TOMI Panama is the exclusive distributor of the Company's products and services within the country of Panama. For the three months ended March 31, 2016 and 2015, the Company made sales and provided services to TOMI Panama for approximately \$18,000 and \$37,000, respectively.

#### ***Distribution and Licensing Agreement***

On March 21, 2014, the Company entered into a distribution and licensing agreement with Plascencia Universal, S. de R.L. de C.V. ("Plascencia Universal"), a Mexican company that will act as the exclusive distributor of TOMI's products and services in Mexico. The principal of Plascencia Universal is also the broker for the Company's insurance policies and was appointed a director of the Company. In April of 2015, the Company modified its agreement with Plascencia Universal with respect to the license fee included in the original agreement. In December of 2015, the principal of Plascencia Universal resigned from the board of directors. For the quarter ended March 31, 2016, sales to Plascencia Universal were approximately \$655,000.

#### ***Manufacturing Agreement***

On October 15, 2014, the Company entered into a manufacturing and development agreement with RG Group, Inc. The agreement does not provide for any minimum purchase commitments and is for a term of 2 years with provisions to extend. For the three months ended March 31, 2016 and the year ended December 31, 2015, RG Group, Inc. manufactured substantially all of the Company's equipment. At March 31, 2016 and December 31, 2015, the Company maintained required deposits with RG Group, Inc. in the amounts of \$237,345 and \$442,358, respectively.

## **Consulting Agreement**

In January 2015, the Company entered into a consulting agreement which has since been terminated that provided for a fee based on revenue received from existing and prospective clients assigned and revenue from sales related to customers the consultant finds for the Company. The agreement also provided for the issuance of 100,000 shares of the Company's common stock that were issued in February 2015 and valued at \$25,000. In addition, the agreement provides for the issuance of 75,000 common stock warrants on a quarterly basis that vest upon issuance with a strike price equal to the volume weighted average price for the 5 day period prior to the close of the quarter with a term of 3 years. The exercise price for the warrants issued was \$0.50, \$0.62 and \$0.33. During the year ended December 31, 2015, the Company utilized the Black-Scholes method to fair value the warrants to purchase up to 225,000 shares of common stock with the following range of assumptions: volatility, 157%-174%; expected dividend yield, 0%; risk free interest rate, 1.01%-1.42%; and a life of 3 years. The grant date fair value of the warrants issued was \$0.37, \$0.54 and \$0.30. For the quarter ended March 31, 2015, the Company recognized approximately \$28,000 in equity based compensation on the issuance of the warrants. This consulting agreement was terminated October 1, 2015 when the consultant accepted a full time employment position with the Company.

## **Agreements with Directors**

The Company appointed Mr. Walter C. Johnsen as a director on January 29, 2016. The term of his agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Mr. Johnsen provides for an annual fee in the amount of \$25,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Mr. Johnsen in February 2016. (See note 8 - Stock Options)

The Company appointed Ms. Kelly J. Anderson as a director on January 29, 2016. Ms. Anderson will serve as the chair of the Company's audit committee. The term of her agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Ms. Anderson provides for an annual fee in the amount of \$26,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Ms. Anderson in February 2016. (See note 8 - Stock Options)

The Company appointed Mr. Edward J. Fred as a Director on January 29, 2016. The term of his agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Mr. Fred provides for an annual fee in the amount of \$25,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Mr. Fred in February of 2016. (See note 8 - Stock Options)

The Company issued 25,000 options to Harold Paul in February 2016. Mr. Paul is a director of the Company. (See note 8 - Stock Options)

## **Other Agreements**

In May 2015, the Company was awarded a grant by the United States Agency for International Development ("USAID") in the amount of \$559,000 for the development of SteraMist™ Mobile Decontamination Chambers to fight the Ebola epidemic. The grant is based on milestones set forth on the agreement between the Company and USAID. As of March 31, 2016, the Company has met the first five milestones and received gross proceeds from the grant in the amount of \$537,272. The Company has incurred costs in connection with the grant through March 31, 2016 in the amount of \$350,552. The proceeds received as part of the grant in excess of the costs incurred has been presented on the Company's balance sheet as a liability in the amount of \$186,720 as of March 31, 2016. In May 2016, the Company completed the USAID Grant (See Note 14).

In June 2015, the Company launched the TOMI Service Network ("TSN"). The TSN is a national service network composed of existing full service restoration industry specialists that have entered into licensing agreements with the Company to become Primary Service Providers ("PSP's"). The licensing agreements grant protected territories to PSP's to perform services using the Company's SteraMist™ platform of products and contain fixed price minimum equipment and solution orders based on the population of the territories granted pursuant to the licensing agreements. The licensing agreements also provide for potential job referrals to PSP's where the Company is entitled to referral fees. Additionally, the agreement provides for commissions due to PSP's for equipment and solution sales they facilitate to other service providers in their respective territories. As part of these agreements, the Company is obligated to provide to the PSP's various training, ongoing support and facilitate a referral network call center. As of March 31, 2016, the Company had entered into 41 licensing agreements in connection with the launch of the TSN.

**NOTE 12. COMMON STOCK AND WARRANTS TO BE ISSUED**

As of December 31, 2015, the Company was obligated to issue 202,000 shares of common stock valued at approximately \$53,000 primarily to certain vendors and consultants.

As of March 31, 2016, the Company was obligated to issue 338,174 shares of common stock valued at approximately \$122,000 primarily to certain vendors, consultants and the President of the Company. In addition, the Company was obligated to issue 300,000 stock warrants to an employee with 100,000 warrants to vest upon issuance, 100,000 to vest April 20, 2017 and 100,000 to vest April 20, 2018. The estimated fair value of the warrants for the quarter ended March 31, 2016 was \$57,000. (See Note 8 – Stock Warrants)

**NOTE 13. CUSTOMER CONCENTRATION**

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's accounts receivable.

For the three months ended March 31, 2016, two customers accounted for 52% of revenue. Three customers accounted for 70% of net revenues for the quarter ended March 31, 2015.

At March 31, 2016, one customer accounted for 13% of accounts receivable. As of December 31, 2015, three customers accounted for 42% of net accounts receivable

**NOTE 14. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through the date the financial statements were issued and up to the time of filing of the financial statements with the Securities and Exchange Commission.

In May of 2016, the Company completed the USAID Grant by meeting the sixth and final milestone in connection with the agreement. (See Note 11)

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q, particularly in Part II, Item 1A, "Risk Factors."*

### Overview

TOMI is a leading provider of infection prevention and decontamination products and services, focused primarily on life sciences including healthcare, bio-safety, pharmaceutical, clean-room and research. Our mission is to help our customers create a healthier world thru TOMI's product line. TOMI's motto is "innovating for a safer world" for healthcare and life.

We are a global decontamination and infectious disease control company, providing environmental solutions for indoor and outdoor surface decontamination through the sale of equipment, services and licensing of our SteraMist™ Binary Ionization Technology® ("BIT™") hydrogen peroxide based mist and fogs.

During August 2010, TOMI entered into negotiations with BIT Technology a division of L-3 Applied Technologies, Inc. ("L-3"), and we began to develop applications for and distribution of the SteraMist™ equipment that currently accounts for nearly all of our revenue. In April 2013, we completed the acquisition of certain assets from L-3 for \$3,510,000. At that moment our business model consisting of the production of activated ionized hydrogen peroxide and the transformation into TOMI's reactive oxygen species began as we reengineered the prototypes into TOMI's, Binary Ionization Technology® (BIT™), branded as SteraMist™, technology that is a direct offspring of the Defense Advanced Research Projects Agency ("DARPA"). DARPA is an advanced technology incubator, which has given birth to many game changing technologies, such as stealth fighters, M16 assault rifles, and the Internet. BIT™ is a technology with a strong foundation.

Brought to the commercial market in June 2013, TOMI's current suite of products incorporates BIT™ Solution and applicators including the SteraMist™ Surface Unit and the SteraMist™ Environment System. Current SteraMist™ BIT™ Technology has expanded beyond chemical and biological warfare applications to deactivate problem microorganisms (including spores) in a wide variety of commercial settings. SteraMist™ BIT™ provides fast acting biological deactivation and works in even the most hard-to-reach areas while leaving no residue or noxious fumes. The by-products of the AIHP are oxygen and water (humidity).

TOMI currently targets domestic and international markets for the control of microorganisms and the decontamination of large and small indoor space for biological pathogens and chemical agents including infectious diseases in hospital, bio-secure labs, pharmaceutical, biodefense, biosafety including isolation and transfer chambers, tissue banks, food safety and many other commercial and residential settings.

In June 2015, SteraMist™ BIT™ was registered with the EPA as a hospital-healthcare disinfectant for use as a misting/fogging agent. The EPA registered solution and equipment combination provides the unique technology of converting a low percentage hydrogen peroxide into an activated ionized hydrogen peroxide consisting mostly of hydroxyl radicals for Hospital-Healthcare disinfecting and general disinfecting (EPA Registration 90150-2). SteraMist™ BIT™ also holds a second EPA registration for mold control and air & surface remediation (EPA Registration 90150-1). In February 2016, the Company expanded its label with the EPA to include the bacteria's C. diff and MRSA and the virus H1N1 which have better positioned the Company to penetrate the hospital-healthcare and other industries.

In June and July 2015, the Company received an \$8,000,000 equity investment from Arise Asset Management Pte Ltd in exchange for approximately 17,000,000 shares of the Company's common stock. Also, in June 2015, the Company retired approximately \$5,100,000 in convertible debt. With the \$8,000,000 investment received and the retirement of the convertible debt, the Company strengthened its balance sheet, added liquidity and working capital.

In 2015, the Company launched the TOMI Service Network ("TSN"). This allowed the Company to enhance its service division by creating a national service network composed of existing full service restoration industry specialists. Since the launch of the TSN, the Company has recruited and entered into licensing agreements with 45 geographically and strategically placed companies that will become network hubs to take advantage of the of the Company's SteraMist™ platform of products and assist as service providers for the Company's domestic and international client base and provide regional, national, and international large event mobilization response. In the first quarter of 2016, the Company hired a President and Director of Network Recruitment for the TSN which has contributed to the growth of the TSN in 2016.

In February 2016, the Company appointed Robert Wotczak as President to strengthen the executive team and help accelerate the Company's corporate goals. In addition, the Company added three new independent members to the Company's board of directors to support the growth of the Company.

During the first quarter of 2016, the Company expanded its internal sales force by hiring a Vice President of Sales and Internal Sales Director devoted to domestic Hospital-Healthcare industries. These key additions to the TOMI team have positioned the Company to increase its presence in the Hospital-Healthcare markets.

During 2015 and the first quarter of 2016, the Company continued to expand its global presence through the shipments of goods into Asia, Europe, Mexico and South America. In February 2016, the Company entered into a distributor agreement with TOMI Asia to facilitate growth in the Asian region.

In May 2015, the Company was awarded a grant by the United States Agency for International Development ("USAID") in the amount of \$559,000 for the development of SteraMist™ Mobile Decontamination Chambers to fight the Ebola epidemic. The grant is based on milestones set forth on the agreement between the Company and USAID. As of March 31, 2016, the Company met the first five milestones and received gross proceeds from the grant in the amount of \$537,272. The Company met the sixth and final milestone in May 2016, which completed the USAID Grant

The Company's net revenue for the quarter ended March 31, 2016 was approximately \$1,707,000 compared to \$676,000 for the same period in 2015, representing an increase of 152%.

## **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The estimation process requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from our estimates.

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and most demanding of our judgment. We consider the following policies to be critical to an understanding of our consolidated financial statements and the uncertainties associated with the complex judgments made by us that could impact our results of operations, financial position and cash flows.

### *Revenue Recognition*

For revenue from services and product sales, the Company recognized revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB No. 104), which superseded Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB No. 101). SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) service has been rendered or delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgment regarding the fixed nature of the selling prices of the services rendered or products delivered and the collectability of those amounts. Provisions for discounts to customers, and allowance, and other adjustments will be provided for in the same period the related sales are recorded.

### *Fair Value Measurement*

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data or substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

The Company's financial instruments include cash and equivalents, accounts receivable, accounts payable and accrued expenses. All these items were determined to be Level 1 fair value measurements.

The carrying amounts of cash and equivalents, accounts receivable, accounts payable and accrued expenses, approximated fair value because of the short maturity of these instruments.

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand held at financial institutions and other liquid investments with original maturities of three months or less.

### *Accounts Receivable*

Our accounts receivable are typically from credit worthy customers or, for certain international customers are supported by pre-payments. For those customers to whom we extend credit, we perform periodic evaluations of them and maintain allowances for potential credit losses as deemed necessary. We have a policy of reserving for doubtful accounts based on our best estimate of the amount of potential credit losses in existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debt expense for the three months ended March 31, 2016 and 2015 was \$30,000 and \$482, respectively.

At March 31, 2016 and December 31, 2015, the allowance for doubtful accounts was \$75,000 and \$45,000, respectively.

As of March 31, 2016, one customer accounted for 13% of net accounts receivable. Two customers accounted for 52% of net revenues for the three months ended March 31, 2016.

As of December 31, 2015, three customers accounted for 42% of net accounts receivable. Three customers accounted for 70% of net revenues for the quarter ended March 31, 2015.

### *Inventories*

Inventories are valued at the lower of cost or market using the first-in, first-out ("FIFO") method. Inventories consist primarily of finished goods and raw materials. At March 31, 2016 and December 31, 2015, we did not have a reserve for slow-moving or obsolete inventory.

### *Deposits on Merchandise*

Deposits on merchandise primarily consist of amounts incurred or paid in advance of the receipt of inventory.

### *Property and Equipment*

We account for property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, generally three to five years. Depreciation for equipment, furniture and fixtures and vehicles commences once placed in service for its intended use. Leasehold improvements are amortized using the straight-line method over the lives of the respective leases or service lives of the improvements, whichever is shorter.

### *Deferred Financing Costs*

The Company follows authoritative guidance for accounting for financing costs as it relates to convertible debt issuance cost. These costs are deferred and amortized over the term of the debt period or until redemption of the convertible debentures.

### *Accounts Payable*

As of March 31, 2016 and December 31, 2015, one vendor accounted for approximately 83% and 72% of total accounts payable, respectively.

For the three months ended March 31, 2016 and 2015, one vendor accounted for 77% and 87% of cost of goods sold, respectively.

### *Accrued Warranties*

Accrued warranties represent the estimated costs, if any, that will be incurred during the warranty period of our products. We make an estimate of expected costs that will be incurred by us during the warranty period and charge that expense to the consolidated statement of operations at the date of sale. Our manufacturer assumes warranty against product defects for one year which we extend to our customers. We assume responsibility for product reliability and results. As of March 31, 2016 and 2015, the Company did not establish a reserve.

## *Income taxes*

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which are, on a more likely than not basis, not expected to be realized; in accordance with ASC guidance for income taxes. Net deferred tax benefits have been reserved at March 31, 2016 and December 31, 2015. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

## *Loss Per Share*

Basic income (loss) per share is computed by dividing the Company's net loss by the weighted average number of common shares outstanding during the period presented. Diluted loss per share is based on the treasury stock method and includes the effect from potential issuance of common stock such as shares issuable pursuant to the exercise of warrants and conversions of debentures.

## *Stock-Based Compensation*

The Company accounts for stock-based compensation in accordance with Financial Accounting Standards Board ("FASB"), ASC 718, Compensation- "Stock Compensation." Under the provisions of FASB ASC 718, stock-based compensation cost is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period. The Company had one active stock-based compensation plan ("2008 Plan"), TOMI Environmental Solutions, Inc. Stock Option and Restricted Stock Plan (the "Plan"). The Plan calls for the Company, through a committee of its board of directors, to issue up to 2,500,000 shares of restricted common stock or stock options. The Company generally issues grants to its employees, consultants, and board members. Stock options are granted with an exercise price equal to the closing price of its common stock on the date of the grant with a term no greater than 10 years. Generally, stock options vest over two to four years. Incentive stock options granted to shareholders who own 10% or more of the Company's outstanding equity securities are granted at an exercise price that may not be less than 110% of the closing price of the Company's common stock on the date of grant and have a term no greater than five years. On the date of a grant, the Company determines the fair value of the stock option award and recognizes compensation expense over the requisite service period, which is generally the vesting period of the award. The fair value of the stock option award is calculated using the Black-Scholes option-pricing model. On August 25, 2015 the plan was terminated.

On January 29, 2016, the board of directors adopted the 2016 Equity Compensation Plan (the "2016 Plan") subject to its approval by stockholders. The 2016 Plan authorizes the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and performance units / shares. Up to 5,000,000 shares of common stock are authorized for issuance under the 2016 Plan. Shares issued under the 2016 Plan may be either authorized but unissued shares, treasury shares, or any combination thereof. Provisions in the 2016 Plan permit the reuse or reissuance by the 2016 Plan of shares of common stock for numerous reasons, including, but not limited to, shares of common stock underlying canceled, expired, or forfeited awards of stock-based compensation and stock appreciation rights paid out in the form of cash. Stock-based compensation will typically be awarded in consideration for the future performance of services to the Company. All recipients of awards under the 2016 Plan are required to enter into award agreements with the Company at the time of the award; awards under the 2016 Plan are expressly conditioned upon such agreements. For the three months ended March 31, 2016, there were 100,000 stock options issued out of the plan.

## *Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company maintains cash balances at financial institutions which exceed the current Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 at times during the year.

## *Long-Lived Assets Including Acquired Intangible Assets*

We will review our intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. We will measure recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value.

## *Advertising and Promotional Expenses*

The Company expenses advertising costs in the period in which they are incurred.

### Research and Development Expenses

The Company expenses research and development expenses in the period in which they are incurred.

### Shipping and Handling Costs

The Company includes shipping and handling costs relating to the delivery of products directly from vendors to the Company in cost of sales. Shipping and handling costs, which include third-party delivery costs relating to the delivery of products from the Company to customers, are classified as a general and administrative expense.

### Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring that deferred tax assets and liabilities be classified as non-current. We have retrospectively adopted this standard as of December 31, 2015, and as a result there was no impact to the Company as all of the deferred tax assets for the year ended December 31, 2014 were classified as noncurrent.

In February of 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases." ASU 2016-02 provides new lease accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

### Financial Operations Overview

Our financial position as of March 31, 2016 and December 31, 2015, was as follows:

	As of March 31, 2016 (Unaudited)	As of December 31, 2015
Total stockholders' equity	\$ 9,811,352	\$ 10,422,974
Cash and cash equivalents	\$ 4,623,543	\$ 5,916,068
Accounts receivable	\$ 1,617,462	\$ 1,414,576
Inventories	\$ 3,156,521	\$ 1,395,175
Deposits on Merchandise	\$ 237,345	\$ 442,358
Current Liabilities	\$ 2,680,819	\$ 1,401,057
Working capital	\$ 7,104,958	\$ 7,880,462

During our quarter ended March 31, 2016 our liquidity positions were affected by the following:

- Net cash used in operations of approximately \$995,000;
- Acquisition of property plant and equipment of \$297,000;

## **Results of Operations for the Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015**

### *Net Loss*

Net loss for the three months ended March 31, 2016 and 2015 amounted to approximately \$1,038,000 and \$4,272,000, respectively, representing a decrease in the net loss of \$3,234,000 or 76%. The primary reasons for the decrease in the net loss can be attributed to:

- Increase in revenue of approximately \$1,031,000 and the overall gross profit of approximately \$561,000;
- Reduced amortization of deferred financing costs of approximately \$84,000 as a result of the convertible notes retired in June of 2015;
- Reduced amortization of debt discounts of approximately \$963,000 as a result of the convertible notes retired in June of 2015;
- Changes in the fair value of the embedded conversion feature of the convertible notes of \$2,673,000 incurred in the first quarter of 2015 with no such charge in the first quarter of 2016 as a result of the convertible notes retired in 2015;
- Reduced interest expense of approximately \$127,000 in connection with the retirement of the convertible notes in June of 2015; offset by; and
- Increased operating expenses of approximately \$1,176,000.

### *Sales*

During the three months ended March 31, 2016 and 2015, we had net revenue of approximately \$1,707,000 and \$676,000, respectively, representing an increase in revenue of \$1,031,000, or 152%. The primary reason for the increase in revenue was attributable mainly to the Company expanding into new markets, having sufficient supply of product to fill orders, as well as diversifying our client base.

### *Cost of Sales*

During the three months ended March 31, 2016 and 2015, we had cost of sales of approximately \$748,000 and \$278,000, respectively, representing an increase of \$470,000, or 169%. The primary reason for the increase in cost of sales was due to sales increasing during the three months ended March 31, 2016 versus the same period in the prior year.

### *Professional Fees*

Professional fees for the three months ended March 31, 2016 totaled approximately \$178,000 as compared to \$107,000 during the same period in the prior year representing an increase of approximately \$71,000, or 66%. Professional fees are mainly comprised of legal, accounting and financial consulting fees.

### *Depreciation and Amortization*

Depreciation and amortization was approximately \$133,000 and \$125,000 for the three months ended March 31, 2016 and 2015, respectively.

### *Selling Expenses*

Selling expenses for the three months ended March 31, 2016 totaled approximately \$352,000 as compared to \$95,000 for the same period in the prior year representing an increase of \$257,000, or 272%. These expenses represent selling salaries and wages, trade show fees, commissions and marketing expenses. We increased our marketing efforts during the three months ended March 31, 2016 and expect these costs to increase in future periods. In addition, these costs increased for the three months ended March 31, 2016 as the result of the hiring of an internal sales staff in effort to increase revenue.

### *Research & Development*

Research and development expenses for the three months ended March 31, 2016 totaled approximately \$9,000 as compared to \$22,000 in corresponding period in 2015. Research and development expenses mainly include costs incurred in generating and supporting research on improving, extending and applying our patents in the field of mechanical cleaning and decontamination. We expect these costs to increase in 2016.

### *Consulting Fees*

Consulting fees for the three months ended March 31, 2016 totaled approximately \$130,000 as compared to \$76,000 during the corresponding period in 2015 representing an increase of approximately \$53,000. The increase in consulting fees is primarily due to the Company entering into a new consulting agreement during the first quarter of 2016 where 100,000 shares of common stock were issued and valued at \$55,000.

### *Equity Compensation Expense*

Equity compensation expense represents non-cash charges for the three months ended March 31, 2016 and totaled approximately \$339,000 as compared to \$125,000 in 2015. Equity compensation expense is incurred upon the issuance of warrants. On the date of a grant, we determine the fair value of the stock option award and recognize compensation expense over the requisite service period, which is generally the vesting period of the award. The fair value of the stock option award is calculated using the Black-Scholes Method option-pricing model. The increase in equity compensation is primarily due to warrants issued to the CEO, CFO and an employee and options issued to four board members during the three months ended March 31, 2016.

### *General and Administrative Expense*

General and administrative expenses include salaries and payroll taxes, rent, insurance expense, utilities and office expense. General and administrative expenses were approximately \$857,000 and \$271,000 for the three months ended March 31, 2016 and 2015, respectively, representing an increase of \$586,000, or 216%. The primary reason for the increase in General and administrative expenses can be attributed mainly to higher salaries and wages due to new hires during the three months ended March 31, 2016 and stock granted to the President and issued to an employee in the first quarter.

### *Other Income and Expense*

Amortization of deferred financing costs was approximately \$0 and \$84,000 for the three months ended March 31, 2016 and 2015, respectively. This represents the amortization of costs incurred to raise capital in relation to the acquisition of the SteraMist™ line of products from L-3 and were fully amortized in the second quarter of 2015 upon retiring the convertible notes.

Amortization of debt discount was approximately \$0 and \$963,000 during the three months ended March 31, 2016 and 2015, respectively, representing the amortization of debt discount on the \$5,074,000 in convertible notes issued in 2013. The debt discount was amortized over the life of the notes utilizing the effective interest method.

The fair value adjustment of the derivative liability during the three months ended March 31, 2015, amounted to approximately a \$2,673,000 loss in the prior period. Upon the retirement of the convertible notes in the second quarter of 2015, the derivative liability was reclassified to additional paid in capital.

Interest expense for the three months ended March 31, 2016 and 2015 was approximately \$0 and 127,000, respectively. This represented the interest due on the \$5,074,000 in convertible notes issued in 2013 in connection with the acquisition of the SteraMist™ line of products from L-3 that were retired in the second quarter of 2015.

### *Net Loss*

The net loss for the quarter ended March 31, 2016 amounted to approximately \$1,038,000 versus a loss of approximately \$4,272,000 for the quarter ended March 31, 2015. The loss per common share, basic and diluted, for the quarter ended March 31, 2016 was \$0.01. The loss per common share, basic and diluted, for the quarter ended March 31, 2015 was \$0.05.

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Revenues	\$ 1,707,000	\$ 676,000
Gross Profit	\$ 959,000	\$ 398,000
Total Operating Expenses <sup>(1)</sup>	\$ 1,998,000	\$ 822,000
Loss from Operations	\$ (1,038,000)	\$ (424,000)
Total Other Income (Expense) <sup>(2)</sup>	\$ -	\$ (3,848,000)
Net Loss	\$ (1,038,000)	\$ (4,272,000)
Basic loss per share	\$ (0.01)	\$ (0.05)
Diluted loss per share	\$ (0.01)	\$ (0.05)

(1) Includes approximately \$339,000 and \$125,000 in non-cash equity compensation expense for the three months ended March 31, 2016 and 2015, respectively.

(2) Includes fair value adjustment loss on derivative liability of approximately \$2,673,000 for the three months ended March 31, 2015, and amortization of debt discount of approximately \$963,000 for the three months ended March 31, 2015.

#### Sales Information of Geographic Basis

	For the Three months ended March 31, 2016	For the Three months ended March 31, 2015
Revenues:		
International	\$ 979,000	\$ 574,000
United States	728,000	102,000
Total Revenues	<u>\$ 1,707,000</u>	<u>\$ 676,000</u>

#### Liquidity and Capital Resources

As of March 31, 2016, the Company had cash and cash equivalents of approximately \$4,623,000 and working capital of \$7,105,000.

Our principal capital requirements are to fund operations, invest in research and development and capital equipment, and the continued costs of public company filing requirements. We have historically funded our operations through debt and equity financings. In June and July 2015, we completed private placements and received net proceeds of approximately \$8,000,000. In June 2015, we redeemed and converted all of the Notes by issuing approximately 14,900,000 shares of common stock, and \$1,300,000 in cash.

The Company intends to uplist to a national stock exchange. We understand there are qualitative and quantitative benchmarks that will need to be met in order to get listed on a national stock exchange. This could require us to raise additional capital in order to meet the quantitative benchmarks. There can be no assurance that we will be able to satisfy these qualitative and quantitative benchmarks or raise additional capital on terms favorable to the Company, if at all.

For the three months ended March 31, 2016 and 2015, we incurred losses from operations of approximately \$1,038,000 and \$424,000, respectively. The cash used cash in operations amounted to approximately \$995,000 and \$541,000 for the three months ended March 31, 2016 and 2015, respectively. The Company could incur additional operating losses from lack of revenues and an increase of costs related to the continuation of product and technology development and administrative activities.

Management of the Company has taken and will endeavor to continue to take a number of actions in order to improve the Company's results of operations and the related cash flows generated from operations in order to get the Company to a stronger financial position. These actions include the following items:

- Expanding our label with the EPA to include the bacteria's C. diff and MRSA and the virus H1N1 in the EPA stamped registration. In February 2016, the Company achieved the amended registration and feels it could allow TOMI to change the way our product is marketed in the United States Hospital-Healthcare verticals that could lead to further market penetration for the Company.
- Expansion of our internal salesforce and manufacturer representatives. In February 2016, the Company hired a Vice President of Sales and an Internal Sales Director in an effort to drive domestic revenue in all Hospital-Healthcare verticals.
- Expansion of international distributors. In February 2016, the Company announced the distributor agreement with TOMI Asia to facilitate growth in the Asian region, specifically Mainland China and Indo-China excluding South Korea and Australia/New Zealand.
- Continued growth of the TSN. In January 2016, the Company hired a President and Director of Network Recruitment for TSN in order to increase TSN's internal salesforce which therefore increased membership. TSN currently has a total of 45 members and 21 members have been added year to date.

We believe that our existing balance of cash and cash equivalents and amounts expected to be provided by operations will provide us with sufficient financial resources to meet our cash requirements for operations, working capital and capital expenditures over the next eighteen months. However, in the event of unforeseen circumstances, unfavorable market developments or unfavorable results from operations, there can be no assurance that the above actions could be successfully implemented as expected, and cash flows may be adversely affected. Our sales cycle has come down but could exceed approximately 4-6 months and it's possible we may not be able to generate sufficient revenue in the next twenty-four months to cover our operating and compliance costs. We may also need to raise additional debt or equity financing to execute on the commercialization of our product plans. We cannot make any assurances that management's strategies will be effective or that any additional financing will be completed on a timely basis, on acceptable terms or at all. Our inability to successfully implement our strategies or to complete any other financing may mean that we would have to significantly reduce costs and/or delay projects, which would adversely affect our business, customers and program development, and would adversely impact the Company.

The Company's analysis of cash flows for the three months ended March 31, 2016 and 2015, is as follows:

#### *Operating activities*

*Cash used in operating activities* during the three months ended March 31, 2016 and 2015 was approximately \$995,000 and \$541,000, respectively. Cash used in operating activities increased \$454,000 as compared to the quarter ended March 31, 2015, primarily due to increased inventory offset by increased accounts payable compared to the same period ended in the prior year.

#### *Investing Activities*

*Cash used in investing activities* during the three months ended March 31, 2016 and 2015, amounted to approximately \$297,000 and \$10,000. Cash used in investing activities increase \$287,000 compared to the quarter ended March 31, 2015, primarily due to service equipment purchased in the first quarter of 2016.

#### *Financing Activities*

*Cash provided by financing activities* during the three months ended March 31, 2016 amounted to \$0.

*Cash provided by financing activities* during the three months ended March 31, 2015 amounted to approximately \$564,000, primarily from the proceeds of the issuance of common stock and warrants. In addition, the Company incurred a [finder's fee of approximately \$51,000 in connection with the issuance of the stock for the quarter ended March 31, 2015.

### **Contractual Obligations**

Our contractual obligations as of March 31, 2016 are summarized as follows (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating leases <sup>(1)</sup>	97	52	45	-	-
	\$ 97	\$ 52	\$ 45	\$ -	\$ -

(1) Amounts represent a non-cancelable operating lease for office space in Frederick, MD that terminates on January 31, 2018. In addition to base rent, the lease calls for payment of common area maintenance operating expenses.

### **Recently Issued Accounting Pronouncements**

See Note 2 to the Condensed Consolidated Financial Statements contained in Item 1. Financial Statements above.

### **Disclosure About Off-Balance Sheet Arrangements**

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

### **Critical Accounting Policies**

See Note 2 to the Condensed Consolidated Financial Statements contained in Item 1. Financial Statements above.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is a Smaller Reporting Company as defined by SEC Rules 405 and 12b-2 and is not required to disclose the information required by Regulation S-K, Item 305 pursuant to the Smaller Reporting Company exemption in Regulation S-K, Item 305(e).

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of March 31, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control**

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## **PART II: OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are not a party to any material proceedings or threatened proceedings as of the date of this filing.

### **Item 1A. Risk Factors.**

In addition to the information set forth in this quarterly report on Form 10-Q, you should also carefully review and consider the risk factors contained in our other reports and periodic filings with the SEC, including without limitation the risk factors contained under the caption "Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 that could materially and adversely affect our business, financial condition, and results of operations. The risk factors discussed in that Form 10-K do not identify all risks that we face because our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. There have been no material changes in the significant factors that may affect our business and operations as described in "Item 1A—Risk Factors" of the Annual Report on 10-K for the year ended December 31, 2015.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

*Unless otherwise stated, the sales of the below securities were deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.*

On January 25, 2016, the Company issued 11,597 shares of common stock valued at \$6,237 to a consultant in exchange for services provided to the Company.

On January 25, 2016, the Company issued 2,319 shares of common stock valued at \$1,247 to a consultant in exchange for services provided to the Company.

On February, 25, 2016, the Company issued 150,000 shares of common stock valued at \$76,500 to an employee in exchange for services.

On February, 25, 2016, the Company issued 6,500 shares of common stock valued at \$3,510 to an employee in exchange for services.

On February, 25, 2016, the Company issued 5,000 shares of common stock valued at \$2,700 to an employee in exchange for services.

On February 25, 2016, the Company issued 100,000 shares of common stock valued at \$55,000 to a consultant in exchange for services provided to the Company.

### **Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

EXPLANATORY NOTE

Some of the below information is new and was not included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table summarizes compensation plans under which our equity securities are authorized for issuance as of December 31, 2015.

<b>Plan category</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>(b) Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3)</b>
Equity compensation plans approved by security holders	100,000(1)	\$ 0.96	-
Equity compensation plans not approved by security holders	14,375,000(2)	\$ 0.36	-
<b>Total</b>	<b>14,475,000</b>	<b>\$ 0.37</b>	<b>-</b>

(1) Prior to August 25, 2015, we granted awards under our 2008 Stock Option Plan.

(2) Represents shares of Common Stock issuable upon the exercise of warrants issued to executive officers, employees and consultants in exchange for services rendered.

(3) On January 29, 2016, the board of directors approved the 2016 Plan, which permits the grant of awards for up to 5,000,000 shares of Common Stock and is subject to stockholder approval.

## EMPLOYMENT AGREEMENTS OF NAMED EXECUTIVE OFFICERS

### ***Dr. Halden S. Shane***

On January 15, 2016, the Company entered into a new employment agreement with Dr. Shane. The agreement provides for a base annual salary of \$360,000. The agreement also provides for the quarterly issuance of 250,000 options to purchase common stock in 2016 with an exercise price equal to the three day trailing volume weighted average price of the common stock. The previous agreement between the Company and Dr. Shane provided for an annual salary increase in the amount of \$120,000 upon the Company exceeding gross revenues of \$5,000,000 on a calendar year basis and to \$175,000 upon the Company exceeding gross revenues of \$10,000,000 on a calendar year basis, which does not exist in the new agreement. In the event Dr. Shane is terminated for any reason or becomes disabled or dies, any options held will become cashless and will be entitled to piggyback registration and are exercisable immediately. Dr. Shane is also entitled to performance bonuses, subject to the achievement of certain objectives, including (i) a minimum semi-annual grant of stock options to purchase up to 250,000 shares of common stock and (ii) a cash bonus, in the sole discretion of the board of directors.

In the event, Dr. Shane is terminated as CEO as a result of a change in control, Dr. Shane will be entitled to a lump sum payment of two years' salary at the time of such termination and will be granted 3 million options that are cashless and, when exercised, will have piggyback registration or demand registration rights, and if applicable, any and all outstanding stock grants will be accelerated and be fully vested.

Termination for cause may be effected by the board of directors by written notification to Dr. Shane; provided, however, that no termination for cause will be effective unless he has been provided with prior written notice and opportunity for remedial action and fails to remedy within 30 days thereof, in the event of a termination by the Company (i) by reason of willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to, the Company, (ii) by reason of material breach of his employment agreement or (iii) by reason of gross negligence or intentional misconduct with respect to the performance of duties under this Agreement. Upon termination for cause, Dr. Shane will be immediately paid an amount equal to his annual gross salary.

The board of directors may effect a termination other than for cause at any time upon giving notice to Dr. Shane. Upon such termination, Dr. Shane will be immediately paid an amount equal to his gross salary.

### ***Robert Wotczak***

On February 8, 2016, the Company entered into an employment agreement with Robert Wotczak in connection with his role as the Company's President. Mr. Wotczak's annual salary is \$240,000 per annum paid bi-weekly. Additionally, in accordance with the terms of the agreement, the Company agreed to issue him 150,000 shares of common stock, which was issued in April 2016. Mr. Wotczak will also be entitled to (i) annual grants of stock options to purchase up to 250,000 shares of common stock each year under the 2016 Plan, (ii) additional shares of common stock granted on an annual basis based on achievement of performance objectives, (iii) an annual raise and/or bonus for meeting or achieving certain performance objectives, (iv) a vehicle expense up to \$750 per month and (v) health insurance contributions equal to 80% toward the cost of an individual plan. Mr. Wotczak's agreement includes restrictive covenants of non-solicitation and confidentiality of proprietary information. In the event of a change in control of the Company, which results in his termination, Mr. Wotczak will be entitled to a lump sum payment of one year's salary and all equity awards will be accelerated and fully vested. The Company may terminate Mr. Wotczak's employment at any time; provided, however, that the Company must provide fourteen days' notice if any of the following events occur: (a) the sale of substantially all of the Company's assets, (b) sale, exchange, or other disposition in one transaction of the majority of the Company's outstanding capital stock, (c) the Company's decision to terminate its business and liquidate its assets, (d) the merger or consolidation of the Company with another company, or (e) bankruptcy or chapter 11 reorganization.

### ***Nick Jennings***

On September 30, 2014, the Company entered into an employment agreement with Nick Jennings, our CFO to provide part-time services. The term of the employment agreement was through December 31, 2014 with a review of employment in January 2015. Mr. Jennings' salary was \$5,000 per month in cash and \$2,000 in common stock per month, paid quarterly. Mr. Jennings also received a 5 year warrant to purchase up to 300,000 shares of common stock at a price per share equal to \$0.30 and vests upon the following schedule: 100,000 vested upon issuance, 100,000 vested on October 1, 2015, and 100,000 will vest as of October 1, 2016. In connection with the employment agreement, Mr. Jennings entered into agreements that included restrictive covenants of non-solicitation and confidentiality of proprietary information.

On September 2, 2015, we entered into a new employment agreement with Mr. Jennings, which superseded his prior agreement, pursuant to which he will continue to serve as our CFO. Mr. Jennings' annual salary is \$132,000 which is reviewed each year. Mr. Jennings will also receive a 5 year warrant to purchase up to 100,000 shares of common stock at a price per share equal to the fair value at the date of grant and will fully vest at the time of issuance, which was on January 26, 2016. Mr. Jennings is also entitled to additional equity compensation based upon superior performance of his responsibilities, as determined by the board of directors, in its sole discretion. In the event of a change in control of the Company, which results in his termination, Mr. Jennings will be entitled to a lump sum payment of one year's salary, all equity awards will be accelerated and fully vested. In the event his employment is terminated other than for cause, Mr. Jennings will receive an amount equal to his annual salary as of such terminate date after the second employment anniversary.

#### **Norris Gearhart**

On October 16, 2014, we entered into an employment agreement with Norris Gearhart pursuant to which he agreed to serve as the Company's COO. Mr. Gearhart's salary was \$126,000 per annum paid bi-monthly. Additionally, Mr. Gearhart received 100,000 shares of Common Stock upon signing his agreement, a monthly transportation expense up to \$500 towards a vehicle and the ability to receive an additional cash or equity bonus upon the achievement of pre-agreed performance objectives.

On September 2, 2015, we entered into a new employment agreement with Mr. Gearhart, which superseded his prior agreement, pursuant to which he will continue to serve as our COO. Mr. Gearhart's annual salary is \$145,000 which is reviewed each at the end of the second anniversary. Mr. Gearhart will receive annual grants of stock options to purchase up to 250,000 shares of Common Stock at an exercise price equal to the volume weighted average price of the five-day period prior to the close of the year. Mr. Gearhart is also entitled to additional equity compensation based upon superior performance of his responsibilities, as determined by the board of directors, in its sole discretion. In the event of a change in control of the Company, which results in his termination, Mr. Gearhart will be entitled to a lump sum payment of one year's salary and all equity awards will be accelerated and fully vested. In the event his employment is termination other than for cause, Mr. Gearhart will receive an amount equal to his annual salary as of such terminate date after the second employment anniversary.

### **DIRECTOR AGREEMENTS**

The Company appointed Mr. Walter C. Johnsen as a director on January 29, 2016. The term of his agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Mr. Johnsen provides for an annual fee in the amount of \$25,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Mr. Johnsen in February 2016.

The Company appointed Ms. Kelly J. Anderson as a director on January 29, 2016. Ms. Anderson will serve as the chair of the Company's audit committee. The term of her agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Ms. Anderson provides for an annual fee in the amount of \$26,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Ms. Anderson in February 2016.

The Company appointed Mr. Edward J. Fred as a Director on January 29, 2016. The term of his agreement as director commenced on February 1, 2016 for 1 year and until a successor is elected, or resignation or removal. The agreement between the Company and Mr. Fred provides for an annual fee in the amount of \$25,000 paid on a quarterly basis and an annual grant of options to purchase up to 25,000 shares of the Company's common stock. The Company issued the options to Mr. Fred in February of 2016.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of our common stock, which are referred to in this report as "reporting persons," to file reports of ownership and changes in ownership with the SEC. Reporting persons are also required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by them with the SEC. To our knowledge, based solely on our review of the copies of the Section 16(a) forms furnished to us or upon written representations from certain of these reporting persons that no other reports were required, all Section 16(a) filing requirements applicable to the reporting persons were timely filed during our 2015 fiscal year except that, following their elections to the board of directors or their appointment as executive officers, as applicable, Dr. Shane, Mr. Paul, Mr. Jennings and Mr. Gearhart did not file a Form 3 until February 4, 2016.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

#### *Director Independence*

Our determination of the independence of our directors is made using the definition of "independent" contained in the listing standards of the NASDAQ Stock Market. On the basis of information solicited from each director, the board of directors has determined that all members of the board of directors, other than Messrs. Shane and Paul, are independent within the meaning of such rules.

#### *Certain Relationships and Related Transactions*

SEC regulations define the related person transactions that require disclosure to include any transaction, arrangement or relationship in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years in which we were or are to be a participant and in which a related person had or will have a direct or indirect material interest. A related person is: (i) an executive officer, director or director nominee of the Company, (ii) a beneficial owner of more than 5% of our common stock, (iii) an immediate family member of an executive officer, director or director nominee or beneficial owner of more than 5% of our common stock, or (iv) any entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons has a substantial ownership interest or control.

For the period from January 1, 2014, through the date of this Form 10-Q, described below are certain transactions or series of transactions between us and certain related persons.

For the year ended December 31, 2015, the Company paid Harold Paul, a director of the Company, a total of \$161,250 as payment for legal services rendered, comprised of \$60,000 cash and 225,000 shares of common stock valued at \$101,250.

In September 2015, the Company issued 100,000 shares of common stock valued at \$47,000 to E.J. Shane, our CEO's daughter, as an incentive to accept the position as the Chief Compliance and Regulatory Officer.

In May 2015, the Company entered into a consulting agreement with Wee Ah Kee to provide management and advisory services in the Asian region. The agreement provides for the issuance of 600,000 shares of restricted common stock which was issued in July 2015 and valued at \$264,000. In addition, the agreement provides for the issuance of 3,000,000 common stock warrants that vest upon issuance with an exercise price of \$1.00 and have a term of 5 years. In December 2015, the Company paid a sales commissions to the consultant in the amount of \$152,442. During 2015, the consultant was a stockholder with greater than 5% beneficial ownership in the Company. The agreement was terminated in January 2016.

In January, 2016, the Company entered into a distributor agreement with TOMI Asia to facilitate growth in the Asian region, specifically including China and Indochina, and excluding South Korea, Australia and New Zealand. Wee Ah Kee, a principal stockholder of TOMI, is the Chief Executive Officer of TOMI Asia. The agreement is for an initial two-year term and sets a revenue target of \$5.5 million of TOMI's products during the term.

#### **Item 6. Exhibits.**

The documents listed in the Exhibit Index of this Form 10-Q are incorporated by reference or are filed with this Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

**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 thereunto duly authorized.

**TOMI ENVIRONMENTAL SOLUTIONS, INC.**

Date: May 16, 2016

By: /s/ Halden S. Shane

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Halden S. Shane  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 16, 2016

By: /s/ Nick Jennings

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Nick Jennings  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.2	Bylaws, as amended.					X
10.1+	Employment Agreement by and between the Company and Halden S. Shane, dated January 15, 2016.					X
10.2+	Employment Agreement by and between the Company and Robert Wotczak, dated February 8, 2016.					X
10.3+	Employment Agreement by and between the Company and Nick Jennings, dated September 2, 2015.					X
10.4+	Employment Agreement by and between the Company and Norris Gearhart, dated September 2, 2015.					X
10.5+	Form of Director Agreements.					X
10.6+	TOMI Environmental Solutions, Inc. 2016 Equity Compensation Plan.					X
31.1	Certification of Halden S. Shane, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Nick Jennings, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1#	Certification of Halden S. Shane, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	Certification of Nick Jennings, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

+ Indicates a management contract or compensatory plan.

# This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (Securities Act), or the Exchange Act.

## AMENDED BYLAWS

OF

TOMI ENVIRONMENTAL SOLUTIONS, INC. (a Florida corporation)

## ARTICLE I

## SHAREHOLDERS

1. SHARE CERTIFICATES. Certificates evidencing fully-paid shares of the corporation shall set forth thereon the statements prescribed by Section 607.0625 of the Florida Business Corporation Act ("Business Corporation Act") and by any other applicable provision of law, must be signed, either manually or in facsimile, by any one of the following officers: the President, a Vice President, the Secretary, an Assistant Secretary, the Treasurer, an Assistant Treasurer, or by any officer designated by the Board of Directors, and may bear the corporate seal or its facsimile. If the person who signed, either manually or in facsimile, a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

2. FRACTIONAL SHARES OR SCRIP. The corporation may: issue fractions of a share or pay in money the fair value of fractions of a share; make arrangements, or provide reasonable opportunity, for any person entitled to or holding a fractional interest in a share to sell such fractional interest or to purchase such additional fractional interests as may be necessary to acquire a full share; and issue scrip in registered or bearer form, over the manual or facsimile signature of an officer of the corporation or its agent, entitling the holder to receive a full share upon surrendering enough scrip to equal a full share. Each certificate representing scrip must be conspicuously labeled "scrip" and must contain the information required by of Section 607.0625 of the Business Corporation Act. The holder of a fractional share is entitled to exercise the rights of a shareholder, including the right to vote, to receive dividends, and to participate in the assets of the corporation upon liquidation. The holder of scrip is not entitled to any of these rights unless the scrip provides for them. The Board of Directors may authorize the issuance of scrip subject to any condition considered desirable, including (a) that the scrip will become void if not exchanged for full shares before a specified date; and (b) that the shares for which the scrip is exchangeable may be sold and the proceeds paid to the scripholders.

3. SHARE TRANSFERS. Upon compliance with any provisions restricting the transferability of shares that may be set forth in the articles of incorporation, these Bylaws, or any written agreement in respect thereof, transfers of shares of the corporation shall be made only on the books of the corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, or with a transfer agent or a registrar and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon, if any. Except as may be otherwise provided by law or these Bylaws, the person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation; provided that whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the corporation, shall be so expressed in the entry of transfer.

4. RECORD DATE FOR SHAREHOLDERS. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders to demand a special meeting, or to take any other action, the Board of Directors, of the corporation may fix a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy days before the meeting or action requiring such determination of shareholders. A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty days after the date fixed for the original meeting.

5. MEANING OF CERTAIN TERMS. As used herein in respect of the right to notice of a meeting of shareholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "shareholder" or "shareholders" refers to an outstanding share or shares and to a holder or holders of record of outstanding shares when the corporation is authorized to issue only one class of shares, and said reference is also intended to include any outstanding share or shares and any holder or holders of record of outstanding shares of any class upon which or upon whom the articles of incorporation confer such rights where there are two or more classes or series of shares or upon which or upon whom the Business Corporation Act confers such rights notwithstanding that the articles of incorporation may provide for more than one class or series of shares, one or more of which are limited or denied such rights thereunder.

#### 6. SHAREHOLDER MEETINGS.

- TIME. The annual meeting shall be held on the date fixed from time to time by the directors. A special meeting shall be held on the date fixed from time to time by the directors except when the Business Corporation Act confers the right to call a special meeting upon the shareholders.

- PLACE. Annual meetings and special meetings shall be held at such place in or out of the State of Florida as the directors shall from time to time fix.

- CALL. Annual meetings may be called by the directors or the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the President, or the Secretary or by any officer instructed by the directors or the President to call the meeting. Special meetings may be called in like manner.

- NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER OF NOTICE. The corporation shall notify shareholders of the date, time, and place of each annual and special shareholders' meeting. Such notice shall be no fewer than ten nor more than sixty days before the meeting date. Unless the Business Corporation Act or the articles of incorporation require otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. Notice shall be given in the manner provided in Section 607.0141 of the Business Corporation Act, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting. Notice of a special meeting must include a description of the purpose or purposes for which the meeting is called. Unless the Business Corporation Act or the articles of incorporation require otherwise, the corporation is required to give notice only to shareholders entitled to vote at the meeting. A shareholder may waive any notice required by the Business Corporation Act, the articles of incorporation, or the Bylaws before or after the date and time stated in the notice. The waiver must be in writing, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

- VOTING LIST FOR MEETING. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all its shareholders who are entitled to notice of a shareholders' meeting, arranged by voting group, with the address of and number and class and series, if any of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder, for a period of ten days prior to the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting at the corporation's principal office, or at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the corporation's transfer agent or registrar. A shareholder, the shareholder's agent or attorney is entitled on written demand to inspect the list subject to the requirements of Section 607.1602(3) of the Business Corporation Act, to copy the list, during regular business hours and at his or her expense, during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

- CONDUCT OF MEETING. Meetings of the shareholders shall be presided over by one of the following officers in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President, a Vice President, if any, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the shareholders. The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but, if neither the Secretary nor an Assistant Secretary is present, the chairman of the meeting shall appoint a secretary of the meeting.

- PROXY REPRESENTATION. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by shareholder's attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. An appointment is valid for up to eleven months, unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

- SHARES HELD BY NOMINEES. The corporation may establish a procedure by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The extent of this recognition may be determined in the procedure.

- QUORUM. Unless the articles of incorporation or the Business Corporation Act provides otherwise, a majority of the votes entitled to be cast on a matter by a voting group constitutes a quorum of that voting group for action on that matter. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

- VOTING. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Business Corporation Act requires a greater number of affirmative votes.

7. ACTION WITHOUT MEETING. Unless otherwise provided in the articles of incorporation, action required or permitted by the provisions of the Business Corporation Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted. In order to be effective the action must be evidenced by one or more written consents describing the action taken, dated and signed by approving shareholders having the requisite number of each voting group entitled to vote thereon, and delivered to the corporation by delivery to its principal office in the State of Florida, its principal place of business, the corporate Secretary, or another officer or agent of the corporation having custody of the book in which proceedings of meetings of shareholders are recorded. No written consent shall be effective to take the corporate action referred to therein, unless within sixty days of the date of the earliest dated consent delivered in the manner required by Section 607.0704 of the Business Corporation Act, written consents signed by holders of shares having the number of votes required to take action are delivered to the corporation by delivery as set forth in Section 607.0704 of the Florida Business Corporation Act. Action under this paragraph be subject to the requirements of Section 607.0704 of the Business Corporation Act.

ARTICLE II  
BOARD OF DIRECTORS

1. FUNCTIONS GENERALLY - COMPENSATION. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, a Board of Directors. The Board may fix the compensation of directors.

2. QUALIFICATIONS AND NUMBER. A director must be a natural person who is at least eighteen years of age, but need not be a shareholder, a citizen of the United States, or a resident of the State of Florida. The initial Board of Directors shall consist of 3 persons, which shall be the number of directors until changed. Thereafter, the number of directors shall not be less than 3 nor more than 7. The number of directors may be fixed or changed from time to time by the shareholders or the Board of Directors. If not so fixed, the number shall be 3. The number of directors shall never be less than one.

3. TERMS AND VACANCIES. The terms of the initial directors of the corporation expire at the first shareholders' meeting at which directors are elected. The terms of all other directors expire at the next annual shareholders' meeting following their election unless their terms are staggered pursuant to the provisions of Section 607.0806. A decrease in the number of directors does not shorten an incumbent director's term. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. Despite the expiration of a director's term, the director continues to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors. Whenever a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, it may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or by the shareholders, unless the articles of incorporation provide otherwise.

4. MEETINGS.

- TIME. Meetings shall be held at such time as the Board shall fix, except that the first meeting of a newly elected Board shall be held as soon after its election as the directors may conveniently assemble.

- PLACE. The Board of Directors may hold regular or special meetings in or out of the State of Florida at such place as shall be fixed by the Board.

- CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, if any, the Vice Chairman of the Board, if any, of the President, or of a majority of the directors in office.

- NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. Regular meetings of the Board of Directors may be held without notice of the date, time, place, or purpose of the meeting. Written, or oral, notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. The notice of a special meeting need not describe the purpose of the meeting. Notice of a meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting and a waiver of any and all objection to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a director states, at the beginning of the meeting or promptly upon arrival at the meeting, any objection to the transaction of business because the meeting is not lawfully called or convened.

- QUORUM AND ACTION. A quorum of the Board of Directors consists of a majority of the number of directors prescribed in or fixed in accordance with these Bylaws. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

- CHAIRMAN OF THE MEETING. Meetings of the Board of Directors shall be presided over by the following directors in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President, or any other director chosen by the Board.

5. REMOVAL OF DIRECTORS. The shareholders may remove one or more directors with or without cause pursuant to the provisions of Section 607.0808 of the Business Corporation Act.

6. COMMITTEES. The Board of Directors by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution or in the articles of incorporation or the Bylaws, shall have and may exercise all the authority of the Board of Directors, except such authority as may not be delegated under the Business Corporation Act. Each committee may have two or more members, who serve at the pleasure of the Board of Directors. The provisions of Sections 607.0822, 607.0823, and 607.0824 of the Business Corporation Act, which govern meetings, notice and waiver of notice, and quorum and voting requirements, apply to committees and their members as well.

7. ACTION WITHOUT MEETING. Action required or permitted by the Business Corporation Act to be taken at a Board of Directors' meeting or committee meeting may be taken without a meeting if the action is taken by all members of the Board or of the committee. The action must be evidenced by one or more written consents describing the action taken, signed by each director or committee member. Action taken under this paragraph is effective when the last director signs the consent, unless the consent specifies a different effective date.

ARTICLE III  
OFFICERS

The corporation shall have a President, and a Secretary, and such other officers as may be deemed necessary, who may be appointed by the directors. The same individual may simultaneously hold more than one office in the corporation.

A duly appointed officer may appoint one or more officers or assistant officers if authorized by the Board of Directors.

Each officer of the corporation has the authority and shall perform the duties prescribed by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of other officers; provided, that the Secretary shall have the responsibility for preparation and custody of minutes of the directors' and shareholders' meetings and for authenticating records of the corporation.

The Board of Directors may remove any officer at any time with or without cause.

ARTICLE IV  
REGISTERED OFFICE AND AGENT

The address of the initial registered office of the corporation and the name of the initial registered agent of the corporation are set forth in the original articles of incorporation.

ARTICLE V  
CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the corporation and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine or the law require.

ARTICLE VI  
FISCAL YEAR

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

ARTICLE VII  
CONTROL OVER BYLAWS

The Board of Directors may amend or repeal these Bylaws unless the articles of incorporation or the Business Corporation Act reserves this power exclusively to the shareholders in whole or in part, or the shareholders in amending or repealing the Bylaws generally or a particular Bylaw provision provide expressly that the Board of Directors may not amend or repeal the Bylaws, generally or that Bylaw provision. The shareholders may amend or repeal these Bylaws even though the Bylaws may also be amended or repealed by the Board of Directors. No provision of this Article shall be construed as purporting to negate the requirements of Section 607.1201 of the Business Corporation Act.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the Bylaws of TOMI ENVIRONMENTAL SOLUTIONS, INC., a corporation of the State of Florida, as in effect on the date hereof. WITNESS my hand and the seal of the corporation.

Dated: November 2, 2007

/s/ Richard Johnson, Esq. \_\_\_\_\_ Secretary of TOMI ENVIRONMENTAL SOLUTIONS, INC.

(SEAL)



From the Desk of Dr. Halden Shane  
CEO and Chairman of the Board

January 15, 2016

**Via email** [doc@tomiesinc.com](mailto:doc@tomiesinc.com)

Dr. Halden Shane  
[Home Address]

Dear Dr. Halden Shane,

TOMI Environmental Solutions, Inc. ("TOMI") is delighted to modify and extend your position as TOMI's Chief Executive Officer ("CEO"). This Employment Agreement ("Agreement") supersedes any prior agreement. By executing the below, Dr. Halden Shane ("you" or "your"), accept as CEO, the given powers and duties consistent with such position. The CEO is expected to make major contributions to the short and long term profitability, growth and financial strength of the Company. The CEO agrees to observe and comply with the rules and regulations of Employer as adopted by the Board of Directors of TOMI ("Board").

You, as CEO, agree to respect the performance of the required duties and agree to carry out and perform the directions and policies of TOMI and its Board as they may be, from time to time stated either orally or in writing. TOMI and the Board agree that the duties, which may be assigned to CEO, shall be the usual and customary duties of the job position and shall not be inconsistent with the provisions of the charter documents of Employer or applicable law. CEO shall have such corporate power and authority as shall reasonably be required to enable the discharge of duties in any office that may be held.

Upon execution of this agreement between TOMI and you, all other previous agreements between will be null and void.

**GENERAL PURPOSE:**

The CEO of TOMI will:

- Set strategy and direction for TOMI and TOMI Service Network ("TSN");
- Model and establish TOMI's culture and mission to "Innovate for a Safer World";
- Build, supervise, and direct the C-suite and Senior Executive Team ("Executives");
- Devote full time and energy to the business and affairs of TOMI and shall use best efforts to promote the interests of TOMI; and
- Allocate capital to TOMI's priorities.

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800.525.1698 | [www.tomiesinc.com](http://www.tomiesinc.com)

**DUTIES AND RESPONSIBILITIES:**

- Provide day-to-day leadership and management to TOMI and TSN's corporate and service organization that mirrors the adopted mission and core values of each respectively.
- Responsible for driving TOMI and TSN to achieve and surpass sales, profitability, cash flow, business goals and objectives.
- Spearhead the development, communication and implementation of effective growth strategies and processes including but not limited to the advancement of TOMI's SteraMist™ BITTM technology.
- Provide, approve, supervise and direct the methods of keeping the records of TOMI, statistical or otherwise, and shall manage the preparation of all reports as are required by law or regulation, including but not limited to, statements and reports to the Board, and shall, from time to time, and at any time upon request from the Board concerning the affairs and financial condition of TOMI, and such other matters as the Board may direct.
- Authority is given to hire, compensate, and terminate TOMI's staff and executives within budgetary limitations. CEO will advise the Board annually regarding the compensation for each executive team member. Such information will include current compensation, the change in compensation, and the new compensation for each individual.
- Authority is given to implement any plausible strategic plan for tracking and reporting the success of TOMI.
- Collaborate with executives to develop and implement plans for the operational infrastructure of systems, processes, and personnel designed to accommodate the rapid growth objectives of TOMI.
- Supervise TOMI's daily investment activities in accordance with the policies, procedures, and goals established.
- Raise additional capital at appropriate valuations to enable TOMI to meet sales, growth and market share objectives.
- Represent TOMI in a positive way with clients, investors and business partners.
- Provide effective and inspiring leadership by being actively involved in all marketing, TOMI services, and the development of TOMI and TSN training programs.
- Review and monitor annual department operational budgets and police the effective management of these budgets.
- Manage and cultivate existing relationships with investors, Wall Street, and federal, state, and international regulatory agencies.
- Publicly represent TOMI within the media and external constituency groups including community, governmental and private organizations, domestically and internationally to build excitement for TOMI's mission and core values.

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**EFFECTIVE DATE:**

January 1, 2016

**BASE SALARY:**

During the term of this Agreement, TOMI agrees to pay CEO a base salary of \$360,000.00 per year in semi monthly installments on the first and fifteenth of every month.

**SIGNING BONUS:**

CEO shall receive a grant of 250,000 options quarterly in 2016, aggregating 1,000,000 options, all with a 5 year term vesting upon issuance- 250,000 options shall be issued on 3/31/16, 6/30/16, 9/30/16 and 12/31/16, with the strike price using a 3 day trailing VWAP at the date of grant. If you are terminated for any reason as set below or, become disabled, or if you die, any options held by you will become cashless and entitled to piggyback registration and they exercise instantly.

**PERFORMANCE BONUS:**

Provided you meet the achievement of pre-aged performance objectives; you will be entitled to an annual bonus as stated immediately below.

Stock Options. A minimum semi annual grant of up to 250,000 Stock Options, at a strike price equal to a VWAP of the three-day period prior to the close of the grant period.

Bonus: Any cash bonus will be based upon your performance and be made at the discretion of the Board.

**HEALTH INSURANCE:**

Until such a time that TOMI has a health insurance offering; TOMI will contribute 80% toward the cost of an individual plan (Medical, Dental and Vision) and continue to contribute 80% of the plan cost until such time when the company has its own health insurance offering. TOMI is actively pursuing a corporate health plan.

**BUSINESS EXPENSES:**

TOMI will provide you with an automobile, travel, computer, phone and associated service costs as well as reimburse you for necessary and reasonable business expenses incurred in connection with your duties hereunder upon presentation of an itemized account and appropriate supporting documentation. All entertainment expenses incurred in pursuit and furtherance of TOMI's business and goodwill shall be reimbursed to CEO upon supporting documentation.

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**TRANSPORTATION:**

TOMI will pay for the purchase, lease, or current payments of CEO's automotive vehicle. This can be paid directly to you or to the automotive or leasing company.

**VACATION:**

CEO is allotted twenty-eight (28) days annually paid vacation, plus all TOMI holidays and office closures.

**CHANGE OF CONTROL:**

In the event of a change in control of TOMI that results in termination of your position as CEO, you will be entitled to a lump sum payment of two year's salary at the time of such termination. Additionally CEO will be granted 3 million options that are cashless, when exercised such options will have with piggyback registration or demand registration rights, and if applicable any and all outstanding stock grants will be accelerated and be fully vested.

**TERMINATION FOR CAUSE:**

Termination for Cause may be effected by the Board at any time during the term of this Agreement and may be effected by written notification to CEO; provided, however, that no Termination for Cause will be effective unless CEO has been provided with the prior written notice and opportunity for remedial action such as termination by TOMI (i) by reason of TOMI's willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to, TOMI (ii) by reason of material breach of this Agreement (iii) by reason of gross negligence or intention misconduct with respect to the performance of duties under this Agreement, provided, however, that no such termination will be deemed to be a Termination for Cause unless TOMI has provided CEO with written notice of what it reasonably believes are the grounds for any Termination for Cause and TOMI fails to take appropriate remedial action during a thirty (30) day period following receipt of such written notice. Upon Termination for Cause, CEO is to be immediately paid amount equal to CEO's gross salary.

**TERMINATION OTHER THAN FOR CAUSE:**

Notwithstanding anything else in this Agreement, the Board may effect a Termination Other Than for Cause at any time upon giving notice to CEO of such Termination Other Than for Cause. Upon any Termination Other Than for Cause, CEO will immediately be paid amount equal to CEO's gross salary.

In witness whereof, the parties have caused this Agreement to be duly executed and delivered as of the date above.

[Signature Page to Follow]

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Sincerely,

/s/ Harold Paul

---

Harold Paul, Esq.  
TOMI Compensation Committee Chairman

Accepted:

/s/ Halden Shane

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Dr. Halden Shane  
Chief Executive Officer at TOMI

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**EMPLOYMENT AGREEMENT**

Employment Agreement, between TOMI Environmental Solutions, Inc. ("TOMI" or "Company") and Robert Wotczak ("you" or "Employee"). TOMI is delighted to offer you a position as TOMI's President. The President will provide excellent leadership and develop plans and strategies for developing business and achieving the Company's mission. You will work in collaboration with TOMI staff, external partners, and the Board of Directors ("Board") in order to enhance Company values and goals, and ensure the organization of Company day to day activities for policies and procedures to run in an effective and efficient manner. You will report to the Board and the Chief Executive Officer ("CEO"). In addition, the President will manage in accordance with current Standard Operating Procedures, Good Manufacturing Practices, Environmental Protection Agency marketing requirements, and all Company policies and safety regulations.

**Duties and Responsibilities include but are not limited to:**

Create a culture of success and ongoing business and goal achievements;  
Work closely with the CEO, Board, and Executive staff to ensure the Company's mission, vision, and goals;  
Ensure that the Board is well constituted and properly trained to provide effective oversight and governance;  
Cultivate and sustain a productive and mutually supportive relationship with the Board and assist in the identification and recruitment of new board member as needed;  
Communicate the mission, vision, and goals effectively and ensure that they continuously serve as a guide for the Company;  
Ensure adoption of and adherence to appropriate ethical values and standards in all TOMI activities, maintain and continue to develop culture of collaboration and transparency, and reputation of integrity;  
Define and oversee staff compensation and incentive programs that motivate TOMI employees to reach their potential;  
Recruit, hire, and oversee high-quality executives and staff and support and guide their professional development;  
Put in place infrastructure and systems to support the success of the Company;  
Oversee all plans, policies, practices, strategies and procedures toward achievement of corporate sales objectives and to create an effective and efficient Company;  
Provide inspirational leadership and direction to staff and executives;  
Ensure organizational strategy and priorities are aligned with TOMI's objectives, and establish effective decision-making processes that will enable TOMI staff and executives to achieve the Company's long and short term goals and objectives;  
Refine and implement strategic business plans;  
Guide and support the continued success of existing procedures and policies and the development of new ones, including development of models to ensure the financial stability of the Company;  
Travel for in-person meetings with customers, investors, partners and develop key relationships;  
Manage and implement TOMI's Capital Markets and IR strategy;  
Coordinate Company resources to ensure efficiency,

Work with the Chief Financial Officer and develop and implement financial accounting systems to ensure proper administration of TOMI's annual budget, including managing revenues and expenditures including internal controls;  
Work with the Chief Regulatory & Compliance Officer to ensure TOMI complies with all legal and financial requirements and standards and is protected against legal liabilities;  
Develop investor relationships to accommodate the goals of the Company;  
Provide leadership in the public domain and serve as an effective spokesperson for the Company;  
Build and maintain strong relationship with government agencies, business interests, environmental and healthcare organizations and work collaboratively in support of market-based actions;  
Create and execute a diversified plan to secure revenue from new and existing sources to support the growth and long-term financial health of TOMI;  
Represent and promote TOMI externally to appropriate stakeholders to foster partnership opportunities and enhance visibility; and  
Assist the CEO in all matters.

The Employee's duties may be reasonably modified at the Company's discretion from time to time.

**Term of Employment.**

Subject to the provisions for termination set forth below this agreement will begin on February 1, 2016, unless sooner terminated.

**Base Salary.**

The Company shall pay you a salary of \$240,000. per annum paid bi-weekly on the 1st and 15th of every month for the services listed above. Employee is entitled to participate in TOMI's future stock plan and 401K after meeting the above mentioned responsibilities for a time period that satisfies the Company.

**Sign on Bonus.** 150,000 shares of TOMI restricted (144) stock.

**Performance Bonus.**

Provided you meet the achievement of pre-agreed performance objectives; you will be entitled to an annual raise:

- Options. Annual grants of up to 250,000 Stock Options at market price from the Company's Stock Option Plan.

Stock Grants - additional shares of TOMI stock may be granted on an annual basis at TOMI's discretion based on level of overachievement of performance objectives.

Provided you meet the achievement of your objective as President for TOMI, you will be entitled to an annual raise and/or a bonus for meeting or beating performance objectives.

**Transportation.**

The Company will pay \$750.00 per month for purchase or lease of an automotive vehicle of employee's choice. This can be paid directly to the employee or to the automotive or leasing company.

**Health Insurance.**

Until such time as TOMI has its own health insurance offering, TOMI will contribute to COBRA insurance for Employee at a rate of 80% toward the cost of an individual plan (Medical, Dental and Eye) and continue to contribute 80% of the plan cost until such time Company has its own health insurance offering. TOMI is actively pursuing a corporate health plan.

**Business Expenses.**

The Company will provide you with a corporate credit card for all necessary and reasonable business expenses incurred in connection with your duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally accepted policies. Employee shall review the Employee Handbook for its Travel and Expense Policy and other detailed policies and procedures relating to business expenses.

In addition, Company will provide Employee with a laptop and cell phone. Employee shall review the Employee Handbook for detailed policies relating to the use of Company technology.

**Vacation.**

You shall be entitled to a fourteen (14 days) paid vacation and seven (7 days) sick/personal time paid off. Employee shall give advanced notice when possible and follow other such procedures as described in the Company employee handbook.

**Confidentiality of Proprietary Information.**

Employee agrees, during or after the term of this employment, not to reveal confidential information, or trade secrets to any person, firm, corporation, or entity. Should Employee reveal or threaten to reveal this information, TOMI shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed, the right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including recovery of damages from the Employee.

**Disability.**

In the event that the Employee cannot perform the duties because of illness or incapacity for a period of more than 3 weeks, the compensation otherwise due during said illness or incapacity will be reduced by fifty (50) percent. The Employee's full compensation will be reinstated upon return to work. However, if the Employee is absent from work for any reason for a continuous period of over a month, the Company may terminate the Employee's employment, and the Company's obligations under this agreement will cease on that date.

**Change of Control.**

In the event of a change in control of the company that results in termination of your position, you will be entitled to a lump sum payment of one year's salary. Additionally, all stock grants will be accelerated and all stock options granted pursuant will be fully vested.

**Termination of Agreement.**

While we look forward to a long and profitable relationship, you are an at-will employee of TOMI which means the employment relationship can be terminated by either of us for any reason, at any time.

Without cause, the Company may terminate this agreement at any time. The Company requests, the Employee will continue to perform his/her duties and will be paid his/her regular salary up to the date of termination.

Without cause, the Employee may terminate employment upon fourteen (14) days' written notice to the Company. Employee may be required to perform his or her duties and will be paid the regular salary to date of termination but will not receive severance allowance. Notwithstanding anything to the contrary contained in this agreement, the Company may terminate the Employee's employment upon fourteen (14) days' notice to the Employee should any of the following event occur:

(a) The sale of substantially all of the Company's assets to a single purchaser or group of associated purchasers; (b) The sale, exchange, or other disposition, in one transaction of the majority of the Company's outstanding corporate shares; (c) The Company's decision to terminate its business and liquidate its assets; (d) The merger or consolidation of the Company with another company; or (e) Bankruptcy or chapter 11 reorganization.

**Restriction of Post Employment Compensation.**

For a period of three (3) years after the end of employment, the Employee shall not control, consult to or be employed by any business similar to that conducted by the Company (EPA approved hydrogen peroxide products), either by soliciting any of its accounts or by operating within Employer's general trading area. Employee's current business is exempt from this.

**Effect of Prior Agreements.**

This Agreement supersedes any prior agreement between the Company or any predecessor of the Company and the Employee, except that this agreement shall not affect or operate to reduce any benefit or compensation inuring to the Employee of a kind elsewhere provided and not expressly provided in this agreement.

**Assistance in Litigation.**

Employee shall upon reasonable notice, furnish such information and proper assistance to the Company as it may reasonably require in connection with any litigation in which it is, or may become, a party either during or after employment.

**Settlement by Arbitration.**

Any claim or controversy that arises out of or relates to this agreement, or the breach of it, shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered may be entered in any court with jurisdiction.

**Limited Effect of Waiver by Company.**

Should Company waive breach of any provision of this agreement by the Employee, that waiver will not operate or be construed as a waiver of further breach by the Employee.

**Severability.**

If, for any reason, any provision of this agreement is held invalid, all other provisions of this agreement shall remain in effect. If this agreement is held invalid or cannot be enforced, then to the full extent permitted by law any prior agreement between the Company (or any predecessor thereof) and the Employee shall be considered to be deemed reinstated as if this agreement had not been executed.

**Assumption of Agreement by Company's Successors and Assignees.**

The Company's rights and obligations under this agreement will inure to the benefit and be binding upon the Company's successors and assignees.

**Oral Modifications Not Binding.**

This instrument is the entire agreement of the Company and the Employee. Oral changes have no effect. It may be altered only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

Please indicate your acceptance of this offer by signing below and returning one copy to the Company.

Signed this 8<sup>th</sup> day of February, 2016.

/s/ Robert Wotczak

\_\_\_\_\_  
Signature of Employee

Robert Wotczak

\_\_\_\_\_  
Print Name: Mr. Robert Wotczak

/s/ Dr. Halden Shane

\_\_\_\_\_  
Dr. Halden Shane  
CEO of TOMI Environmental Solutions, Inc.



From the Desk of Dr. Halden Shane  
CEO and Chairman of the Board

September 2, 2015

**Via e-mail** n.jennings@tomiesinc.com

Mr. Nick Jennings, CPA  
[Home Address]

Dear Mr. Jennings,

TOMI is delighted to offer you a position as our Chief Financial Officer (CFO). Upon execution of this agreement between TOMI and Mr. Jennings all other previous agreements between TOMI and Mr. Jennings will be null and void.

**GENERAL PURPOSE:**

Mr. Jennings will be generally responsible for directing the fiscal functions of TOMI in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board, the Securities and Exchange Commission, and any other regulatory and advisory organizations and in accordance with financial management techniques and practices appropriate and applicable to TOMI. You will report directly to the CEO and the Board of Directors.

**DUTIES AND RESPONSIBILITIES:**

**Planning:**

- Ø Assist in formulating TOMI's future direction and supporting tactical initiatives.
- Ø Monitor and direct the implementation of strategic business plans.
- Ø Develop financial and tax strategies.
- Ø Manage the budgeting processes.
- Ø Develop performance measures that support TOMI's strategic direction.

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**Operations:**

- Ø Participate in key decisions as a member of the executive management team.
- Ø Maintain in-depth relations with all members of the senior management team.
- Ø Oversee the financial operations of foreign operations. Oversee the financial operations of TOMI Service Network (TSN).
- Ø Manage any third parties to which functions have been outsourced.
- Ø Oversee TOMI's transaction processing systems and upgrade to SAGE 100 along with intergrating to ZOHO.
- Ø Establish and write policy for AP, AR and inventory.
- Ø Assist with a QA policy.
- Ø Change accounting to SAGE 100 as soon as feasible to not effect current operations.
- Ø Implement operational best practices.
- Ø Supervise acquisition due diligence and negotiate acquisitions.

**Financial Information:**

- Ø Beginning with 3Q 2014, personally review, approve and execute all Form 8-K, 10-K, and 10-Q TOMI filings with the Securities and Exchange Commission.
- Ø Oversee the issuance of financial information.
- Ø Report financial results to the board of directors.

**Risk Management:**

- Ø Understand and mitigate key elements of TOMI's risk profile.
- Ø Monitor all open legal issues involving TOMI.
- Ø Construct and monitor reliable internal control systems.
- Ø Maintain appropriate insurance coverage.
- Ø Ensure that TOMI complies with all applicable legal and regulatory requirements as it relates to accounting and other financial issues.
- Ø Ensure that accounting record keeping meets the requirements of auditors and government agencies.
  
- Ø Report risk issues to the audit committee of the board of directors.
- Ø Maintain relations with external auditors and investigate their findings and recommendations.

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**Funding:**

- Ø Monitor cash balances and cash forecasts.
- Ø Arrange for debt and equity financing.
- Ø Assist TSN members in financing options.
- Ø Invest funds.

**Third Parties:**

- Ø Participate in conference calls with the investment community.
- Ø Participate in quarterly earnings calls and investor up-date calls.
- Ø Represent TOMI with investment bankers as well as with investors in TOMI.
- Ø Work with TOMI's IR company in all capacities.
- Ø Maintain and monitor improved D & B ratings.

TOMI and Jennings will periodically meet to define performance objectives for Jennings. Other activities as directed from time to time by: Dr. Shane, CEO, Norris Gearhart, COO and TOMI's Board of Directors.

**EMPLOYMENT AGREEMENT DATE:** SEPTEMBER 2<sup>TH</sup>, 2015

**BASE SALARY:**

\$132,000 per annum paid bi-weekly on the 1<sup>st</sup> and 15<sup>th</sup> of every month. First Review will be at the 12-month anniversary.

**PERFORMANCE BONUS:**

Provided you meet the achievement of pre-agreed performance objectives; you will be entitled to an annual evaluation, which may lead to a raise:

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**WARRANTS:**

- Ø Effective October 1<sup>st</sup>, 2015, TOMI will issue a grant to Mr. Jennings of 100,000 stock warrants at a strike price of \$0.50. The said warrants shall vest on that day.
  - Annual grants of 100,000 Stock Options at a strike price of \$.50 from the Company's Stock Option Plan will be issued on every October 1<sup>st</sup> anniversary; next anniversary is October 1<sup>st</sup>, 2016.
  - Stock Grants – additional shares of TOMI stock may be granted on an annual basis at TOMI's discretion based on level of overachievement of performance objectives.

**PERFORMANCE OBJECTIVES:**

Performance Objectives listed under duties and responsibilities.

**HEALTH INS:**

Until such time as TOMI has it's own health insurance offering. TOMI will contribute 80% towards the cost of an Individual plan (Medical, Dental and Eye) and continue to contribute 80% of the plan cost until such time company has its own health insurance offering. **TOMI is actively pursuing a corporate health plan.**

**BUSINESS EXPENSES:**

The company will provide you with a computer, phone and associated service costs as well as reimburse you for your necessary and reasonable business expenses incurred in connection with your duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the companies generally accepted policies.

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**VACATION:**

Twenty-one days annually, plus employee will be paid the following days; New Year's Day, Memorial Day, Independence Day, Thanksgiving Day, the day after Thanksgiving and Christmas Day.

**CHANGE OF CONTROL:**

In the event of a change in control of the company that results in termination of your position, you will be entitled to a lump sum payment of one year's salary. Additionally, all stock grants will be accelerated and all stock options granted pursuant will be fully vested.

**TERMINATION:**

If you are terminated by TOMI for a reason other than Cause, TOMI will pay you an amount equal to your gross annual salary at the time of your termination after the second employment anniversary.

**AT WILL:**

While we look forward to a long and profitable relationship, you are an at-will employee of TOMI which means the employment relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without cause.

Please indicate your acceptance of this offer by signing below and returning one copy to me.

Sincerely,

/s/ Dr. Halden Shane

Dr. Halden Shane, CEO of TOMI

Accepted:

/s/ Nick Jennings

Mr. Nick Jennings, CPA  
Chief Financial Officer

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**ADDENDUM TO THE  
TOMI ENVIRONMENTAL SOLUTIONS, INC. AND NICK JENNINGS  
EMPLOYMENT AGREEMENT**

This Addendum takes on all terms, conditions, and definitions in the employment agreement between TOMI Environmental Solutions, Inc. and Nick Jennings executed on or around September 2, 2015.

**TOMI and Employee agree to the following modifications of the Agreement at the Section “Warrants”:**

The issuance of the 100,000 stock options; originally agreed for the issuance of such options on October 1, 2015 was modified to the issuance date of January 26, 2016 at a strike price of \$.55.

/s/ Dr. Halden Shane

\_\_\_\_\_  
Dr. Halden Shane, CEO  
TOMI Environmental Solutions, Inc.

/s/ Nick Jennings

\_\_\_\_\_  
Nick Jennings, CFO  
TOMI Environmental Solutions, Inc.

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From the Desk of Dr. Halden Shane  
CEO and Chairman of the Board

September 2, 2015

**Via e-mail** Norris.gearhart@tomiesinc.com

Mr. Norris Gearhart  
[Home Address]

Dear Mr. Gearhart,

TOMI is delighted to offer you a position as TOMI's Chief Operating Officer (COO). The COO oversees all of TOMI's corporate issues. The position ensures the CEO and Board of Directors that operations in both TOMI and TSN is being held to the highest standards. The COO reports directly to the CEO, the Chief Operating Officer (COO) will have overall strategic and operational responsibilities for all of TOMI and TSN's divisions and will manage the entire group of directors.

Upon execution of this agreement between TOMI and Mr. Gearhart all other previous agreements between TOMI and Mr. Gearhart will be null and void.

**GENERAL PURPOSE:**

- I. As the chief operating officer of TOMI and TSN he will provide leadership to TOMI's and TSN's strategic planning process and will implement new programmatic strategic initiatives. In addition, the COO will: provide coordination for TOMI's and TSN senior management team; serve as liaison to All of TOMI and TSN's partners; and work with TOMI's CEO and its Board of Directors to keep them abreast of programmatic strategies and challenges.
- II. The COO will partner with the chief financial officer (CFO), and all other director's and will be responsible for developing,

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implementing, and managing the operational aspects of the annual budget.

III. Finally, the COO will cultivate existing relationship with public and private funders.

**DUTIES AND RESPONSIBILITIES:**

- Ø Provide day-to-day leadership and management to TOMI's and TSN corporate and service organization that mirrors the adopted mission and core values of the TOMI. Bottom line: Build a beautiful company.
- Ø Responsible for driving the company to achieve and surpass sales, profitability, cash flow and business goals and objectives.
- Ø Responsible for working with TOMI's manufacturers, partners and divisions.
- Ø Responsible for the measurement and effectiveness of all processes internal and external. Provides timely, accurate and complete reports on the operating condition of the company.
- Ø Spearhead the development, communication and implementation of effective growth strategies and processes including the advancement of TOMI's technology.
- Ø Be the master of the technician's and develop methods for your core values to be simulated by the technicians and trainers.
- Ø Collaborate with the management team to develop and implement plans for the operational infrastructure of systems, processes, and personnel designed to accommodate the rapid growth objectives of our organization.

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- Ø Motivate and lead a high performance management team; attract, recruit and retain required members of the executive team not currently in place; provide mentoring as a cornerstone to the management career development program.
- Ø Act as lead “client-care officer” through direct contact with every client and partner.
- Ø Assist, as required, in raising additional capital at appropriate valuations to enable the Company to meet sales, growth, and market share objectives.
- Ø Foster a success-oriented, accountable environment within the company.
- Ø Represent TOMI in a positive way with clients, investors, and business partners.
- Ø Provide effective and inspiring leadership by being actively involved in all programs and services, developing a broad and deep knowledge of all programs.
- Ø Identify opportunities for XYZ Nonprofit to leverage cross-program strengths to take advantage of new opportunities and/or to address organizational challenges.
- Ø Lead, coach, develop, train and retain TOMI’s high-performance senior management team with an emphasis on developing capacity in strategic analysis and planning and program budgeting.
- Ø Develop and implement training programs and retreats to expand the capacity of all staff.
- Ø Prepare and submit an annual operational budget, manage effectively within this budget, and report accurately on progress made and challenges encountered.

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- Ø Ensure the continued financial viability of TOMI's technology and service/operational units through sound fiscal management.
- Ø Manage and cultivate existing relationships with funders to secure and expand recurring revenue streams.
- Ø Publicly represent TOMI with the media and external constituency groups including community, governmental, and private organizations and build excitement for TOMI's mission.
- Ø Provide programmatic leadership and input for all strategic plan implementation processes with the CFO and staff.
- Ø Coach program directors as they implement the strategic plan and transition program operations.
- Ø Develop and implement a system for tracking and reporting on the progress of the strategic plan implement.

**START DATE:** SEPTEMBER 2<sup>nd</sup>, 2015

**BASE SALARY:**

\$145,000 per annum paid bi-weekly on the 1<sup>st</sup> and 15<sup>th</sup> of every month. First Review will be at the 2nd anniversary.

**PERFORMANCE BONUS:**

Provided you meet the achievement of pre-agreed performance objectives, you will be entitled to an annual raise:

- Warrants. Annual grants of up to 250,000 Stock Options, at a strike price at a strike price equal to a Vwap of the five-day period prior to the close of the year.
- Stock Grants – additional shares of TOMI stock may be granted on an annual basis at TOMI's discretion based on level of overachievement of performance objectives.

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**PERFORMANCE OBJECTIVES:**

Performance Objectives listed under duties and responsibilities.

**HEALTH INS:**

Until such time as TOMI has it's own health insurance offering. TOMI will contribute 80% towards the cost of an Individual plan (Medical, Dental and Eye) and continue to contribute 80% of the plan cost until such time company has its own health insurance offering. **TOMI is actively pursuing a corporate health plan.**

**BUSINESS EXPENSES:**

The company will provide you with a computer, phone and associated service costs as well as reimburse you for your necessary and reasonable business expenses incurred in connection with your duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the companies generally accepted policies.

**TRANSPORTATION:**

If needed the Company will pay \$600.00 per month for purchase or lease of an automotive vehicle of employee's choice. This can be paid directly to the employee or to the automotive or leasing company.

**VACATION:** Twenty-eight days annually, plus employee will be paid the following days; New Year's Day, Memorial Day, Independence Day, Thanksgiving Day, the day after Thanksgiving and Christmas Day.

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**CHANGE OF CONTROL:**

In the event of a change in control of the company that results in termination of your position, you will be entitled to a lump sum payment of one year's salary. Additionally, all stock grants will be accelerated and all stock options granted pursuant will be fully vested.

**TERMINATION:**

If you are terminated by TOMI for a reason other than Cause, TOMI will pay you an amount equal to your gross annual salary at the time of your termination after the second employment anniversary.

**AT WILL:**

While we look forward to a long and profitable relationship, you are an at-will employee of TOMI which means the employment relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without cause.

Please indicate your acceptance of this offer by signing below and returning one copy to me.

Sincerely,

/s/ Dr. Halden Shane  
Dr. Halden Shane, CEO of TOMI

Accepted:

/s/ Norris Gearhart  
Mr. Norris Gearhart  
Chief Operating Officer

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Date: \_\_\_\_\_

Dear \_\_\_\_\_:

Re: **Appointment to the Board of Directors as Independent Director for TOMI Environmental Solutions, Inc.**

***PRIVILEGED AND CONFIDENTIAL***

On behalf of TOMI Environmental Solutions, Inc. (the "Company"), the Company is pleased to inform you that the Company's current Board of Directors (the "Board") have approved your appointment as an independent director/member of the Board by certain provisions and criteria set in the Company's Bylaws and Nominating and Governance Committee Charter ("Corporate Governance Guidelines"). In addition, the Company would also like to extend an invitation to you to be a Member of the Nominating, Audit, and Compensation Committees. This letter of appointment is issued to formalize your appointment as an Independent Director.

**APPOINTMENT**

Your appointment as a member of the Board starts February 1, 2016 and will be for up to one (1) year depending upon the assigned class of directors and thereafter for three (3) years upon reelection, unless prematurely concluded by mutual consent, or otherwise as provided hereinafter. Your service on the Board will be in accordance with and is subject to Company and Classified Board provisions. The relationship between you and the Company shall be that of office-holder and not one of employment, you will be considered to be an independent Non-Executive Director and will be identified as such as such in the annual report and other documentation.

**TIME COMMITMENT**

The Company would like to request that you set a time commitment for seven (7) Board meetings a year of at least one (1) day. As of now, the Company will hold all meetings in the Corporate Beverly Hills, California office unless notified in advance of alternative sites. For your review a calendar of dates for the Board and Committee meetings as agreed with the Directors is attached at Appendix A. This will enable you to plan your travel for attending the meetings. If, for any reason, you cannot make it to a meeting, we will connect you via audio/video conference.

In addition to the above, depending on business exigencies, additional meetings may be convened. In addition, you may be nominated to additional Committees of the Board, from time to time. While the Company would seek your convenience for availability before fixing dates for such meetings, this will depend on the overall conveniences of a majority of directors. The Company will seek your guidance, suggestions and support, whenever your assistance is needed.

By accepting this appointment, including your nomination to the Committees of the Board of the Company, the Company appreciates your committing to be able to have the available time that is necessary to discharge your duties and obligations and assist the Company's superior governance.

## **DUTIES AND OBLIGATIONS**

TOMI's board members will always observe, in letter and spirit, the duties, rights and role as a member of the Company's Board as stipulated in the relevant sections of the Company's Bylaws and Corporate Governance Guidelines, and all other relevant Company Guidelines and Charters, as amended from time to time. As a member of the Board you are expected to undertake executive duties or to assume executive responsibilities, but the Company would like it if you could work with and through the Board. The Company also asks you to exercise the general fiduciary duties and duties of care and confidentiality expected of every director.

In addition, in your role as a member of the Board, the Company asks you to:

1. Constructively challenge and help develop proposals on strategy;
2. Participate on committees of the Board;
3. Attend Board meetings of the Company and give advice to the Board as is consistent with certain duties as a director of the Company;
4. Accept responsibility, publicly and where necessary in writing, when required to do so under any act, regulation or code of conduct;
5. Scrutinize the performance of management in meeting pre agreed goals and objectives and monitor the reporting of performance;
6. Set the Company's strategic aims, ensuring that the necessary resources are in place for the Company to meet its objectives;
7. Satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
8. Devote time to developing and refreshing your knowledge on the Company's technology, products, and mission in "Innovating for a Safer World";
9. Uphold high standards of integrity and probity and extend your support in instilling the appropriate culture, values and behaviors in the boardroom, for the Company, and beyond;
10. Take into account the views of shareholders and other stakeholders where appropriate.

## FEES

Your appointment pays twenty-five thousand (\$25,000.00) dollars per annum, paid on a quarterly basis. You will also be granted options to purchase 25,000 shares of the Company's common stock on an annual basis. The exercise price will be based on the fair value at time of grant with a term of three years.

The Company will reimburse you for all reasonable expenses in connection with your travel for attending the Board/Committee meetings as per Company Policy. All payments are subject to appropriate applicable taxes. The Company asks you to submit any details of expenses incurred to the Corporate Secretary within 14 days from the date of expense.

## CONFLICT OF INTERESTS

It is accepted and acknowledged that you may have business interests other than those of the Company and will declare any conflicts that are apparent at present. In the event that you become aware of any potential conflict of interest or, of not meeting the requirements as an Independent Member of the Board, you are requested to disclose the same to the Chairman of the Board ("Chairman") and Corporate Secretary as soon as you become aware of the same.

The Board of the Company has determined you to be independent in terms of "independence" requirements as stipulated by the Company charters and other relevant regulations.

If circumstances change in any way which may affect your status as an independent member of the Board, you must immediately disclose this to the Board.

## CONFIDENTIALITY AND INDEMNITY

You recognize that during your appointment you will have access to and come into contact with confidential information belonging to the Company. Therefore, you agree all information acquired during your appointment will be applied to the highest standards of confidentiality and you agree you will not disclose or release any non-public information, either during your appointment or following separation (by any means), to any third parties.

Your attention is drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently, you should avoid making any statement that might risk a breach of these requirements without prior clearance from the Chairman or Corporate Secretary.

On termination of the Appointment you will deliver to the Company all books, documents, papers and other property of or relating to the business of the Company which are in your possession, custody or power by virtue of your position as an Independent Board Director of the Company.

The Company will provide you with a right to indemnity to the extent set out in the Bylaws.

## **INSIDER TRADING RULES**

As a member of the Board of the Company, you will be considered an "Officer" and an "Insider" under Insider Trading regulations. Any trade of the Company's stock by you and your relatives will be subject to appropriate statutory disclosures and will require prior approvals in accordance with the regulations.

## **CODE OF CONDUCT**

During your Appointment the Company asks you to comply with any relevant regulations as may be issued in the future and all such other requirements as mentioned in the Corporate Governance Guidelines and any additional requirements the Board of Directors may from time to time specify.

## **INSURANCE**

The Company has directors' and officers' liability insurance and will maintain such cover in a minimum amount of \$1,000,000, in aggregate, for the full term of your appointment.

## **NOTIFICATION OF PERSONAL INFORMATION**

Under the provisions of the Securities Exchange Commission, the Company is required to provide information about its Directors. Therefore, the Company hereby requests a resume for the past five years and a listing of all current Boards you may currently be appointed to.

## **PREMATURE CONCLUSION OF TERM OF APPOINTMENT**

Your existing term of appointment would stand terminated and concluded on the occurrence of any of the following events:

1. Upon either party deciding to prematurely conclude the existing term of appointment, the party deciding to so conclude the existing term of appointment would serve a reasonable written notice on the other.
2. The Company may terminate your appointment subject to approval by a majority vote from the Board and/or the shareholders, if you:
  - a. Commit a material breach of your obligation under this letter;
  - b. Commit any serious or repeated breach or non-observance of your obligation to the Company (which include an obligation not to breach your duties to the Company, whether statutory, fiduciary or common-law); and
  - c. Are guilty of any fraud or dishonesty or acted in a manner which, in the opinion of the Company, brings or is likely to bring you or the Company into disrepute or is materially opposing to the interests of the Company.

In addition, continuation of your contract of appointment is also contingent on your satisfactory performance as a member of the Board and any relevant statutory provision relating to the removal or disqualification of a director and subject to the performance evaluation by the entire Board.

**EXTENSION OF EXISTING TERM**

Upon the expiry of your present term, in accordance with the laws and regulations of a Classified Board, and subject to your eligibility under applicable laws, as prevailing from time to time and subject to annual performance evaluation, the Board may, at its discretion, recommend to the shareholders a renewal of your existing term for such period as it may deem fit and proper, in the interest of the Company.

**RIGHTS OF THIRD PARTIES**

No person other than you and the Company shall have any rights under this letter and the terms of this letter shall not be enforceable by any person other than you and the Company. This letter constitutes the entire terms and conditions of your appointment and no waiver or modification of these terms shall be valid unless in writing, signed by you and for and on behalf of the Company and only to the extent set out in such written waiver or modification.

This letter cancels and is in substitution for all previous letters, agreements, arrangements (whether oral or in writing) relating to the subject-matter of this letter between you and the Company all of which shall be deemed to have been terminated by mutual consent.

We look forward to your joining of the Company's Board and your continued participation at the meetings of the Board and Committee(s). Please feel free to contact the Chairman or the Corporate Secretary if you have any queries in relation to this letter or any other concerns or questions. Kindly confirm your agreement to the terms set out in this letter by executing the below and returning the copy to the Chairman at the Company's address printed at the head of this letter.

Chairman of the Board, TOMI Environmental Solutions, Inc.

\_\_\_\_\_  
Dr. Halden S. Shane

I confirm and agree to the terms of my appointment as an Independent Member of the Board of TOMI Environmental Solutions, Inc. as set out in this letter.

Name of Director: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Place: \_\_\_\_\_

TOMI ENVIRONMENTAL SOLUTIONS, INC.

2016 EQUITY INCENTIVE PLAN

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**TOMI ENVIRONMENTAL SOLUTIONS, INC.**

**2016 EQUITY INCENTIVE PLAN**

**I. ESTABLISHMENT, OBJECTIVES AND DURATION**

A. ESTABLISHMENT OF THE PLAN. TOMI Environmental Solutions, Inc., a Florida corporation (hereinafter referred to as the "Company"), hereby adopts an incentive compensation plan designated as the "TOMI Environmental Solutions, Inc. 2016 Equity Incentive Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units.

Subject to approval by the Company's stockholders, the Plan shall become effective as of January 29, 2016 (the "Effective Date"). The Plan shall remain in effect as provided in Section I.C hereof.

B. OBJECTIVES OF THE PLAN. The objectives of the Plan are to optimize the profitability and growth of the Company through incentives which are consistent with the Company's goals and which link the personal interests of Participants to those of the Company's stockholders; to provide Participants with an incentive for excellence in individual performance; and to promote teamwork among Participants.

It is also intended with respect to the Non-Employee Directors of the Company that the Compensation Committee be able to choose from among Awards of Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock and RSUs which will (a) permit Non-Employee Directors to increase their ownership and proprietary interest in the Company and enhance their identification with the interests of the Company's stockholders, (b) provide a means of compensating Non-Employee Directors that will help attract qualified candidates to serve as Non-Employee Directors, and (c) induce incumbent Non-Employee Directors to continue to serve if the Board desires that they remain on the Board.

C. DURATION OF THE PLAN. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article XV hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after January \_\_, 2026.

**II. DEFINITIONS**

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

A. "AFFILIATE" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

B. "AWARD" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units.

C. "AWARD AGREEMENT" means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan.

D. "BENEFICIAL OWNER" or "BENEFICIAL OWNERSHIP" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

E. "BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company.

F. "CHANGE IN CONTROL" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

1. the "Beneficial Ownership" of securities as defined in Rule 13d-3 under the Exchange Act representing more than fifty percent (50%) of the combined voting power of the Company is acquired by any "person" as defined in Section 3(a)(9) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company); or
2. the consummation of a definitive agreement to merge or consolidate the Company with or into another corporation or to sell or otherwise dispose of all or substantially all of its assets, or adopt a plan of liquidation other than for the sole purpose of changing the company's domicile or a recapitalization or reorganization and that results in more than 50% change in stock ownership.

Notwithstanding the foregoing, with respect to any Award subject to Code Section 409A, a "Change in Control" of the Company is deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

3. Change in Ownership: A change in ownership of the Company occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, excluding the acquisition of additional stock by a person or more than one person acting as a group who is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company.

4. Change in Effective Control: A change in effective control of the Company occurs only on either of the following dates:

- a. The date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending in the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 50% or more of the total voting power of the stock of the Company; or
- b. The date a majority of the members of the Board is replaced during any (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors before the date of the appointment or election; provided that this paragraph (b) shall apply only to the company for which no other corporation is a majority shareholder.

5. Change in Ownership of Substantial Assets: A change in the ownership of a substantial portion of the Company's assets occurs on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

It is the intent that this definition be construed to satisfy the definition of "Change of Control" as defined under Internal Revenue Code Section 409A and the applicable Treasury Regulations, as amended from time to time.

G. "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

H. "COMPANY" means TOMI Environmental Solutions, Inc., a Florida corporation, including any and all Subsidiaries, and any successor thereto as provided in Article XX herein.

I. "COVERED EMPLOYEE" means a Participant who, as of the date of vesting and/or payout of an Award, as applicable, is one of the group of "covered employees," as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute.

J. "DIRECTOR" means any individual who is a member of the Board of Directors of the Company or any Subsidiary; provided, however, that any Director who is employed by the Company shall be considered an Employee under the Plan.

K. "DISABILITY" with respect to any Award, a Participant shall be considered Disabled if the Participant is considered "disabled" under the Company's long-term disability plan then in effect, or if none, then if the Participant qualifies to receive disability payments under the federal Social Security Act.

L. "EFFECTIVE DATE" shall mean January \_\_, 2016.

M. "EMPLOYEE" means any full-time, active employee of the Company or its Subsidiaries. Directors who are not employed by the Company shall not be considered Employees under this Plan.

N. "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

O. "FAIR MARKET VALUE" means, as of any date, the value of a Share determined as follows:

1. if such Shares then publicly traded on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Shares are listed or admitted to trading as reported in The Wall Street Journal;
2. if such Shares are publicly traded but is not listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported by The Wall Street Journal (or, if not so reported, as otherwise reported by any newspaper or other source as the Committee may determine); or
3. if none of the foregoing is applicable to the valuation in question, by the Committee in good faith.

P. "FREESTANDING SAR" means an SAR that is granted independently of any Options, as described in Article VII herein.

Q. "INCENTIVE STOCK OPTION" or "ISO" means an option to purchase Shares granted under Article VI herein and which is designated as an Incentive Stock Option and which is intended to meet the requirements of Code Section 422.

R. "INSIDER" shall mean an individual who is, on the relevant date, an officer, director or more than ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

S. "NON-EMPLOYEE DIRECTOR" shall mean a Director who is not also an Employee.

T. "NON-QUALIFIED STOCK OPTION" or "NQSO" means an option to purchase Shares granted under Article VI herein and which is not intended to meet the requirements of Code Section 422.

U. "OPTION" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article VI herein.

V. "OPTION PRICE" means the price at which a Share may be purchased by a Participant pursuant to an Option.

W. "PARTICIPANT" means: (1) an Employee or consultant who has been selected to receive an Award or who has an outstanding Award granted under the Plan; or (2) a Non-Employee Director who has been selected to receive an Award other than an Incentive Stock Option, Performance Share or Performance Unit or who has an outstanding Award other than an Incentive Stock Option, Performance Share or Performance Unit granted under the Plan.

X. "PERFORMANCE-BASED EXCEPTION" means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

Y. "PERFORMANCE SHARE" means an Award granted to a Participant (other than a Non-Employee Director), as described in Article X herein, that shall have an initial value equal to the Fair Market Value of a Share on the date of grant.

Z. "PERFORMANCE UNIT" means an Award granted to a Participant (other than a Non-Employee Director), as described in Article X herein, that shall have an initial value that is established by the Committee on the date of grant.

AA. "PERIOD OF RESTRICTION" means the period during which the transfer of Shares of Restricted Stock or Restricted Stock Units is limited in some way (based on the passage of time, the achievement of performance goals or upon the occurrence of other events as determined by the Committee, at its discretion, as specified in the Award Agreement), and the Shares are subject to a substantial risk of forfeiture, as provided in Article VIII and Article IX herein.

BB. "PERSON" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

CC. "RESTRICTED STOCK" means an Award granted to a Participant pursuant to Article VIII herein.

DD. "RESTRICTED STOCK UNIT" or "RSU" means an award granted to a Participant pursuant to Article IX herein.

EE. "SEPARATION FROM SERVICE" means a termination of employment or other separation from service as described in Code Section 409A and the regulations thereunder.

FF. "SHARES" means the shares of common stock of the Company.

GG. "SPECIFIED EMPLOYEE" means, with respect to the Company or any of its Subsidiaries, and determined as of the date of an individual's separation from service from the Company (1) any officer during the prior twelve (12) month period with annual compensation in excess of \$170,000 (as adjusted from time to time under the Code), (2) a 5-percent owner of the Company's outstanding equity stock during the prior twelve (12) month period or (3) a 1-percent owner of the Company's outstanding equity stock during the prior (12) month period with annual compensation in excess of \$150,000, provided that the Company or any of its Subsidiaries is publicly-traded within the meaning of Code Section 409A on the date of determination.

HH. "STOCK APPRECIATION RIGHT" or "SAR" means an Award, granted alone or, in connection with a related Option, designated as an SAR, pursuant to the terms of Article VII herein.

II. "SUBSIDIARY" means any corporation, partnership, joint venture or other entity in which the Company has a majority voting interest (including all divisions, affiliates and related entities).

JJ. "TANDEM SAR" means an SAR that is granted in connection with a related Option pursuant to Article VII herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

### III. ADMINISTRATION

A. THE COMMITTEE. The Plan shall be administered by either the full Board, or by a committee of the Board (either the full Board or the committee is referred to hereinafter as the "Committee") consisting of not less than two Directors who meet the "Non-Employee Director" requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, the "Independent Director" requirements of NYSE MKT Rule 803(a), and the outside director requirements of Code Section 162(m), or by any other committee appointed by the Board, provided the members of such committee meet such requirements.

B. AUTHORITY OF THE COMMITTEE. Except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Employees and Non-Employee Directors who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish or amend rules and regulations for the Plan's administration; and (subject to the provisions of Article XV herein) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee is empowered hereby to make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authority as identified herein.

C. DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its stockholders, Directors, Employees, Participants and their estates and beneficiaries.

#### IV. SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

A. NUMBER OF SHARES AVAILABLE FOR GRANTS. Subject to Sections IV.B and IV.C herein, the maximum number of Shares with respect to which Awards may be granted to Participants under the Plan shall be Five Million (5,000,000). Shares issued under the Plan may be either authorized but unissued Shares, treasury Shares or any combination thereof.

Unless and until the Committee determines that an Award to a Covered Employee is not designed to comply with the Performance-Based Exception, the following rules shall apply to grants of Awards to Covered Employees under the Plan, subject to Sections IV.B and IV.C.

1. STOCK OPTIONS: The maximum aggregate number of Shares that may be subject to Stock Options granted in any one fiscal year to any one Participant shall be two hundred fifty thousand (250,000).
2. SARs: The maximum aggregate number of Shares that may be granted in the form of SARs granted in any one fiscal year to any one Participant shall be two hundred fifty thousand (250,000).
3. RESTRICTED STOCK: The maximum aggregate grant with respect to Awards of Restricted Stock which are granted in any one fiscal year to any one Participant shall be two hundred fifty thousand (250,000) Shares.
4. RESTRICTED STOCK UNITS: The maximum aggregate payment (determined as of the date of grant) with respect to Awards of RSUs granted in any one fiscal year to any one Participant shall be equal to the Fair Market Value of two hundred fifty thousand (250,000) Shares; provided, however, that the maximum aggregate grant of Restricted Stock and RSUs for any one fiscal year shall be coordinated so that in no event shall any one Participant be awarded more than the Fair Market Value of two hundred fifty thousand (250,000) Shares taking into account all such grants.
5. PERFORMANCE SHARES: The maximum aggregate payout (determined as of the event of the applicable performance period) with respect to Awards of Performance Shares which are granted in any one fiscal year to any one Participant shall be equal to the Fair Market Value of two hundred fifty thousand (250,000) Shares.
6. PERFORMANCE UNITS: The maximum aggregate payout (determined as of the end of the applicable performance period) with respect to Awards of Performance Units which are granted in any one fiscal year to any one Participant shall be equal to one million five hundred thousand dollars (\$1,500,000).

B. ADJUSTMENTS FOR AWARDS AND PAYOUTS. Unless determined otherwise by the Committee, the following Awards and payouts will reduce, on a one-for-one basis, the number of Shares available for issuance under the Plan:

1. An Award of an Option;
2. An Award of a SAR;
3. An Award of Restricted Stock;
4. A payout of a Performance Share Award in Shares; and
5. A payout of a Performance Units Award in Shares.

Unless determined otherwise by the Committee, unless a Participant has received a benefit of ownership such as dividend or voting rights with respect to the Award, the following transactions will restore, on a one-for-one basis, the number of Shares available for issuance under the Plan:

1. A payout of a SAR or a Tandem SAR in cash;
2. A cancellation, termination, expiration, forfeiture or lapse for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Options, or the termination of a related Option upon exercise of the corresponding Tandem SAR) of any Award payable in Shares;
3. Shares tendered in payment of the exercise price of an Option;
4. Shares withheld for payment of federal, state or local taxes;
5. Shares repurchased by the Company with proceeds collected in connection with the exercise of outstanding Options; and
6. The net Shares issued in connection with the exercise of SARs (as opposed to the full number of Shares underlying the exercised portion of the SAR).

C. ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any change in corporate capitalization such as a stock split or stock dividend, or a corporate transaction such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which are reserved and may be delivered under Section IV.A, in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, and in the Award limits set forth in subsections IV.A.1 through IV.A.6, inclusive as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

## V. ELIGIBILITY AND PARTICIPATION

A. ELIGIBILITY. Persons eligible to participate in this Plan include officers and certain key salaried Employees of the Company with potential to contribute to the success of the Company or its Subsidiaries, including Employees who are members of the Board. Notwithstanding the foregoing, Non-Employee Directors of the Company or consultants shall be eligible to participate in the Plan with respect to Awards of Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock and RSUs, as specified in Article VI, Article VII, Article VIII and Article IX. Except as otherwise specifically provided in this Plan, the Committee shall determine the terms and conditions of any such Awards to Non-Employee Directors, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

B. ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select in its sole and broad discretion, upon or without the recommendation of officers of the Company, from all eligible Employees those to whom Awards shall be granted, and shall determine the nature and amount of each Award.

## VI. STOCK OPTIONS

A. GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. For purposes of this Article VI, with respect to NQSOs only, the term "Participant" shall include Non-Employee Directors and consultants of the Company.

B. AWARD AGREEMENT. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Code Section 422, or an NQSO, whose grant is intended not to fall under the provisions of Code Section 422.

C. OPTION PRICE. The Option Price for each grant of an Option under this Plan shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. Notwithstanding the foregoing, no ISO shall be granted to any person who, immediately prior to the grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, unless the Option Price is at least one hundred ten percent (110%) of the Fair Market Value of a Share on the date of grant of the Option.

D. DURATION OF OPTIONS. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10<sup>th</sup>) anniversary following the date of its grant and provided further that no Option that is an ISO shall be exercisable later than the fifth (5<sup>th</sup>) anniversary following the date of its grant to a Participant, who at the time of such grant owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company.

E. EXERCISE OF OPTIONS. Options granted under this Article VI shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

F. PAYMENT. Options granted under this Article VI shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six months prior to their tender to satisfy the Option Price); or (c) by a combination of (a) and (b).

The Committee, in its discretion, may also (a) allow cashless exercise as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, (b) cashless exercise by the Participant by the Company's withholding of Shares issuable upon exercise of an Option, or (c) by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

G. RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article VI as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

H. TERMINATION OF EMPLOYMENT BY A PARTICIPANT WHO IS AN EMPLOYEE. With respect to a Participant who is an Employee, each Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company, with the exception of a termination of employment after a Change in Control, which is controlled by Article XVII. Such provisions shall be determined in the sole discretion of the Committee but shall conform to the limitations established in Section VI.D, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article VI, and may reflect distinctions based on the reasons for termination of employment.

I. NONTRANSFERABILITY OF OPTIONS.

1. INCENTIVE STOCK OPTIONS. No ISO granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant or the Participant's legal representative (to the extent permitted under Code Section 422).
2. NONQUALIFIED STOCK OPTIONS. No NQSO granted under this Article VI may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article VI shall be exercisable during his or her lifetime only by such Participant or the Participant's legal representative.

## VII. STOCK APPRECIATION RIGHTS

A. GRANT OF SARS. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs or any combination of these forms of SAR. For purposes of this Article VII, the term "Participant" shall include Non-Employee Directors of the Company and consultants; provided, however, that a Tandem SAR may not be granted to a Non-Employee Director or consultant unless the related Option is a NQSO.

The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article IV herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option.

B. EXERCISE OF TANDEM SARS. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted to an Employee in connection with an ISO: (i) the Tandem SAR will expire no later than the expiration of the underlying ISO; (ii) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

C. EXERCISE OF FREESTANDING SARS. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

D. SAR AGREEMENT. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee may determine.

E. TERM OF SARS. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten (10) years.

F. PAYMENT OF SAR AMOUNT. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

1. the difference between the Fair Market Value of a Share on the date of exercise over the grant price; by
2. the number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

G. TERMINATION OF EMPLOYMENT BY A PARTICIPANT WHO IS AN EMPLOYEE. With respect to a Participant who is an Employee, each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and/or its Subsidiaries, with the exception of a termination of employment that occurs after a Change in Control, which is controlled by Article XVII. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan and may reflect distinctions based on the reasons for termination of employment.

H. NONTRANSFERABILITY OF SARS. No SAR granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant or the Participant's legal representative.

#### VIII. RESTRICTED STOCK

A. GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine. For purposes of this Article VIII, the term "Participant" shall include Non-Employee Directors of the Company and consultants.

B. RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted and such other provisions as the Committee shall determine.

C. NONTRANSFERABILITY. Except as provided in this Article VIII and subject to federal securities laws, the Shares of Restricted Stock granted under the Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and as set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant or the Participant's legal representative for the Period of Restriction.

D. OTHER RESTRICTIONS. Subject to Article XI herein, the Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals (Company-wide, divisional and/or individual), time-based restrictions on vesting following the attainment of the performance goals and/or restrictions under applicable federal or state securities laws.

The Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article VIII and subject to Federal securities laws, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

E. VOTING RIGHTS. Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

F. DIVIDENDS AND OTHER DISTRIBUTIONS. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder shall be credited with regular cash dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Stock granted to a Covered Employee is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Stock, such that the dividends and/or the Restricted Stock maintain eligibility for the Performance-Based Exception. Notwithstanding anything to the contrary herein, (i) dividends accrued on Restricted Stock will only be paid if the Restricted Stock vests; and (ii) for any Award that is governed by Code Section 409A regarding non-qualified deferred compensation, the Committee shall establish the schedule of any payments of dividends in accordance with the requirements of Code Section 409A or any guidance promulgated thereunder.

G. TERMINATION OF EMPLOYMENT BY A PARTICIPANT WHO IS AN EMPLOYEE. With respect to a Participant who is an Employee, each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to receive nonvested Restricted Shares following termination of the Participant's employment with the Company. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan and may reflect distinctions based on the reasons for termination of employment.

H. ADDITIONAL PROVISIONS RELATED TO RESTRICTED STOCK AWARDS TO NON-EMPLOYEE DIRECTORS.

1. AWARD DATES. Effective as of the date specified by the Committee in its sole discretion, each Non-Employee Director will be awarded such number of Shares of Restricted Stock as determined by the Board, after consideration of the recommendation of the Committee. Non-Employee Directors may, but need not, be awarded the same number of Shares of Restricted Stock. A Non-Employee Director who is first elected to the Board on a date subsequent to the date specified by the Committee in its sole discretion will be awarded such number of Shares of Restricted Stock as of such date of election as determined by the Board, after consideration of the recommendation of the Committee.
2. DIVIDEND RIGHTS OF HOLDERS OF RESTRICTED STOCK. Notwithstanding Section VIII.F., upon issuance of a Restricted Stock Agreement, the Non-Employee Director in whose name the Restricted Stock Agreement is registered will, subject to the provisions of the Plan have the right to receive cash dividends and other cash distributions thereon.
3. PERIOD OF RESTRICTION. Restricted Stock will be subject to the restrictions set forth in Section VIII.H.4. and the other provisions of the Plan during the Period of Restriction commencing on the date as of which the Restricted Stock is awarded (the "Award Date") and ending on the earliest of the first to occur of the following:
  - a. the retirement of the Non-Employee Director from the Board in compliance with the Board's retirement policy as then in effect;
  - b. the termination of the Non-Employee Director's service on the Board as a result of the Non-Employee Director's not being nominated for reelection by the Board;

- c. the termination of the Non-Employee Director's service on the Board because of the Non-Employee Director's resignation or failure to stand for reelection with the consent of the Company's Board (which means approval by at least 80% of the Directors voting, with the affected Non-Employee Director abstaining);
- d. the termination of the Non-Employee Director's service on the Board because the Non-Employee Director, although nominated for reelection by the Board, is not reelected by the stockholders;
- e. the termination of the Non-Employee Director's service on the Board because of (i) the Non-Employee's Director's resignation at the request of the Board or the Nominating and Governance Committee of the Board (or successor committee), (ii) the Non-Employee Director's removal by action of the stockholders or by the Board, or (iii) a Change in Control of the Company;
- f. the termination of the Non-Employee Director's service on the Board because of Disability or death; or
- g. the vesting of the Restricted Stock.

Section VIII.H.3.a. through g. above are subject to the further restrictions that a removal or resignation for "Cause" will be deemed to not constitute completion of the Period of Restriction and will result in a forfeiture of Restricted Stock not previously vested under Section VIII.H.4. For purposes of this Plan, "Cause" will be a good faith determination by the Board that the Non-Employee Director (i) failed to substantially perform his or her duties (other than a failure resulting from his or her incapacity due to physical or mental illness) after a written demand for substantial performance has been delivered to him or her by the Board, which demand specifically identifies the manner in which the Board believes such Non-Employee Director has not substantially performed his or her duties; (ii) has engaged in conduct the consequences of which are materially adverse to the Company, monetarily or otherwise; or (iii) has pleaded guilty or *nolo contendere* to or been convicted of a felony. The Non-Employee Director will not be deemed to have been terminated for Cause unless there will have been delivered to the Non-Employee Director a letter from the Board setting forth the reasons for the Company's termination of the Non-Employee Director for Cause and, with respect to (i) or (ii), stating that the Non-Employee Director has failed to cure such reason for termination within thirty (30) days after the Non-Employee Director's receipt of such notice.

4. **FORFEITURE OF RESTRICTED STOCK.** As of the date ("Termination Date") a Non-Employee Director ceases to be a member of the Board for any reason, including but not limited to removal or resignation for Cause, the Non-Employee Director shall forfeit to the Company all Restricted Stock awarded to the Non-Employee Director for which the Period of Restriction has not ended pursuant to Section VIII.H.3. as of or prior to the Termination Date.

## IX. RESTRICTED STOCK UNITS

A. GRANT OF RESTRICTED STOCK UNITS. Subject to the terms of the Plan, RSUs may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee. For purposes of this Article IX, the term "Participant" shall include Non-Employee Directors of the Company and consultants.

B. RESTRICTED STOCK UNIT AGREEMENT. Each RSU grant shall be evidenced by a Restricted Stock Unit Award Agreement that shall specify the Period(s) of Restriction, the number of RSUs granted, and such other provisions as the Committee may determine.

C. VALUE OF RESTRICTED STOCK UNIT. Each RSU shall have a value that is equal to the Fair Market Value of a Share on the date of grant.

D. FORM AND TIMING OF PAYMENT OF RESTRICTED STOCK UNITS. Settlement of vested RSUs may be made in the form of (i) cash, (ii) Shares or (iii) any combination of both, as determined by the Committee at the time of the grant of the RSUs, in its sole discretion. Vested RSUs shall be settled in a lump sum as soon as administratively practicable after the vesting date, but in no event later than two and one-half (2 ½) months following the vesting date. The amount of such settlement shall be equal to the Fair Market Value of the RSUs on the vesting date.

E. DIVIDEND EQUIVALENTS. Each RSU shall be credited with an amount equal to the dividends paid on a Share between the date of grant and the date such RSU is paid to the Participant (if at all). Dividend equivalents shall vest, if at all, upon the same terms and conditions governing the vesting of RSUs under the Plan. Payment of the dividend equivalent shall be made at the same time as payment of the RSU and shall be made without interest or other adjustment. If the RSU is forfeited, the Participant shall have no right to dividend equivalents.

F. VOTING RIGHTS. The holders of RSUs shall have no voting rights.

G. NONTRANSFERABILITY. RSUs may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by laws of descent and distribution.

## X. PERFORMANCE UNITS AND PERFORMANCE SHARES

A. GRANT OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

B. PERFORMANCE UNIT/SHARE AGREEMENT. Each Performance Unit or Performance Share grant shall be evidenced by a Performance Unit or Performance Share Award Agreement, as the case may be, that shall specify the number of Performance Units or Performance Shares granted and such other provisions as the Committee may determine.

C. VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant. For purposes of this Article X, the time period during which the performance goals must be met shall be called a "Performance Period."

D. EARNING OF PERFORMANCE UNITS/SHARES. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

E. FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. Payment of earned Performance Units/Shares shall be made in a single lump sum following the close of the applicable Performance Period. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award. Payment shall be made no later than two and one-half (2 ½) months following the close of the Performance Period.

F. SEPARATION FROM SERVICE DUE TO DEATH OR DISABILITY. In the event the Participant incurs a Separation From Service by reason of death or Disability during a Performance Period, the Participant shall not receive a payout of the Performance Units/Shares, unless determined otherwise by the Committee or set forth in the Participant's Award Agreement.

Payment of earned Performance Units/Shares shall be made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

G. TERMINATION OF EMPLOYMENT FOR OTHER REASONS. In the event that a Participant's employment terminates for any reason other than those reasons set forth in Section X.F. herein, all Performance Units/Shares intended to qualify for the Performance-Based Exception shall be forfeited by the Participant to the Company.

H. NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

I. NO DIVIDEND AND VOTING RIGHTS. Participants will not be entitled to receive any dividends declared with respect to Shares which have been earned in connection with grants of Performance Units and/or Performance Shares, but not yet distributed to Participants nor shall Participants have voting rights with respect to such Shares.

#### XI. PERFORMANCE MEASURES

Unless and until the Committee proposes for stockholder vote and the Company's stockholders approve a change in the general performance measures set forth in this Article XI, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees which measures are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such grants may be measured at the Company level, at a Subsidiary or Affiliate level, or at an operating unit level and shall be chosen from among the following: net income either before or after taxes (including adjusted net income), share price, earnings per share (basic or diluted), total stockholder return, return on assets, return on equity, operating income, return on capital or investment, cash flow or adjusted cash flow from operations, economic value added or adjusted cash flow per Share (net income plus or minus change in operating assets and liabilities), debt level, cost reduction targets, and equity ratios.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the preestablished performance goals; provided, however, that Awards which are designed to qualify for the Performance-Based Exception, and which are held by Covered Employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

In the event that applicable tax and/or securities laws or exchange listing standards change to permit Committee discretion to alter the governing performance measures without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

In the case of any Award which is granted subject to the condition that a specified performance measure be achieved, no payment under such Award shall be made prior to the time that the Committee certifies in writing that the performance measure has been satisfied, in accordance with Internal Revenue Service requirements. No such certification is required, however, in the case of an Award that is based solely on an increase in the value of a Share from the date such Award was made.

## XII. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designated beneficiary, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

## XIII. DEFERRALS

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units, or the satisfaction of any requirements or goals with respect to Performance Units/Shares. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals, provided, however, all deferrals shall be made in accordance with all applicable requirements of Code Section 409A or any guidance promulgated thereunder.

## XIV. RIGHTS OF EMPLOYEES

A. EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

B. PARTICIPATION. No Employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award.

## XV. AMENDMENT, MODIFICATION, TERMINATION AND ADJUSTMENTS

A. AMENDMENT, MODIFICATION, AND TERMINATION. Subject to the terms of the Plan, the Board, upon recommendation of the Committee, may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part for any purpose which the Committee deems appropriate and that is otherwise consistent with Code Section 409A; provided, however, no amendment shall, without shareholder approval, (i) materially increase the benefits accruing to Participants under the Plan; (ii) materially increase the number of securities which may be issued under the Plan; or (iii) materially modify the requirements for participation in the Plan.

Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without shareholder approval.

B. ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section IV.C. hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan; provided that unless the Committee determines otherwise, no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan or Awards meeting the requirements of Code Sections 162(m) and 409A, as from time to time amended.

C. AWARDS PREVIOUSLY GRANTED. Notwithstanding any other provision of the Plan to the contrary (but subject to Section XV.B. hereof), no termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the Participant holding such Award.

D. COMPLIANCE WITH CODE SECTION 162(m). At all times when Code Section 162(m) is applicable, all Awards granted under this Plan shall comply with the requirements of Code Section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any Award or Awards available for grant under the Plan, then compliance with Code Section 162(m) will not be required. In addition, in the event that changes are made to Code Section 162(m) to permit greater flexibility with respect to any Award or Awards available under the Plan, the Committee may, subject to this Article XV, make any adjustments it deems appropriate consistent with the changes made to Code Section 162(m).

#### XVI. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

A. EFFECT OF COMPETITIVE ACTIVITY. Anything contained in the Plan to the contrary notwithstanding, unless otherwise covered in an employment agreement by and between the Company and the Participant, with respect to any Participant who is an Employee, if the employment of any Participant shall terminate, for any reason other than death, while any Award to such Participant is outstanding hereunder, and such Participant has not yet received the Shares covered by such Award or otherwise received the full benefit of such Award, such Participant, if otherwise entitled thereto, shall receive such Shares or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have earned such Award by making himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with the Company or any Subsidiary or Affiliate thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary or Affiliate thereof.

B. NONFULFILLMENT OF COMPETITIVE ACTIVITY CONDITIONS; WAIVERS UNDER THE PLAN. In the event of a Participant's nonfulfillment of any condition set forth in Section XVI.A. hereof, such Participant's rights under any Award shall be forfeited and canceled forthwith; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of, or subsequent to termination of employment) be waived by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any Subsidiary or Affiliate thereof by reason of the nonfulfillment of such condition.

#### XVII. CHANGE IN CONTROL

A. TREATMENT OF OUTSTANDING AWARDS. Notwithstanding any provisions in the Participant's Employment Agreement to the contrary, but subject to Section XVII.B. herein or the Plan governing the particular Award, upon the occurrence of a Change in Control:

1. any and all Options and SARs granted hereunder shall become fully-vested and immediately exercisable;
2. any Periods of Restriction and restrictions imposed on Restricted Stock or RSUs which are not intended to qualify for the Performance-Based Exception shall lapse; and
3. any Award intended to qualify for the Performance-Based Exception shall be earned in accordance with the applicable Award Agreement.

B. TERMINATION, AMENDMENT AND MODIFICATIONS OF CHANGE-IN-CONTROL PROVISIONS. Notwithstanding any other provision of the Plan or any Award Agreement provision, the provisions of this Article XVII may not be terminated, amended or modified on or after the date of an event, commencing upon material discussions by the Board respecting a possible transaction that would result in a Change in Control, which is likely to give rise to a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards.

#### XVIII. TAX PROVISIONS

A. TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant who is an Employee to remit to the Company, an amount sufficient to satisfy federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

B. SHARE WITHHOLDING. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock or Restricted RSUs, upon achievement of the performance goals on Performance Shares or Performance Units or upon any other taxable event arising as a result of Awards granted hereunder, Participants who are Employees may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined at least equal to the minimum, but not more than the maximum, statutory tax which could be imposed on the transaction. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

C. REQUIREMENT OF NOTIFICATION OF CODE SECTION 83(b) ELECTION. If any Participants shall make an election under Code Section 83(b) (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provisions of the laws of a jurisdiction outside the United States, such Participant shall notify the Company of such election within ten (10) days after filing notice of the election with the Internal Revenue Service or other government authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

D. REQUIREMENT OF NOTIFICATION UPON DISQUALIFYING DISPOSITION UNDER CODE SECTION 421(b). If any Participant shall make any disposition of shares of stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

#### XIX. INDEMNIFICATION

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense (including without limitation reasonable attorney's fees and expenses) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

#### XX. SUCCESSORS

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business or assets of the Company.

#### XXI. LEGAL CONSTRUCTION

A. GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

B. SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

C. REQUIREMENTS OF LAW. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

D. SECURITIES LAW COMPLIANCE. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

E. CODE SECTION 409A COMPLIANCE. Notwithstanding any other provision of this Plan to the contrary, all Awards under this Plan that are subject to Code Section 409A shall be designed and administered in a manner that does not result in the imposition of tax or penalties under Code Section 409A. Accordingly, Awards under this Plan that are subject to Code Section 409A shall comply with the following requirements, as applicable.

1. Distribution to Specified Employees Upon Separation from Service. To the extent that payment under an Award which is subject to Code Section 409A is due to a Specified Employee on account of the Specified Employee's Separation from Service from the Company or its Affiliate or Subsidiary, such payment shall be delayed until the first day of the seventh (7<sup>th</sup>) month following such Separation from Service (or as soon as practicable thereafter). The Committee, in its discretion, may provide in the Award document for the payment of interest at a rate set by the Committee for such six-month period. In the event that a payment under an Award is exempt from Code Section 409A, payment shall be made to a Specified Employee without any such six-month delay.
2. No Acceleration of Payment. To the extent that an Award is subject to Code Section 409A, payment under such Award shall not be accelerated from the date(s) specified in the Award documents as of the date of grant.
3. Subsequent Delay in Payment. To the extent that an Award is subject to Code Section 409A, payment under such Award shall not be deferred beyond the dates specified in the Award document as of the date of grant, unless the Committee or Participant, as the case may be, makes the decision to delay payment at least one year prior to the scheduled payment date, and payment is delayed at least five (5) years.

F. GOVERNING LAW. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Florida.

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Halden S. Shane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of TOMI Environmental Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May16, 2016

/s/ HALDEN S. SHANE

Halden S. Shane

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Nick Jennings, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of TOMI Environmental Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16, 2016

/s/ Nick Jennings

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Nick Jennings,  
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of TOMI Environmental Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on May , 2016 (the "Report"), I, Halden S. Shane, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 16, 2016

/s/ HALDEN S. SHANE

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Halden S. Shane

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of TOMI Environmental Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on May , 2016 (the "Report"), I, Nick Jennings, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 16, 2016

/s/ Nick Jennings

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Nick Jennings

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)